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NEWS SUMMARY

GENERAL

France to adopt UK fowl rules

France is to fall in with the new British health measures on poultry imports.

The French Agriculture Minister said it would adopt the British policy of compulsory slaughter against fowl pest in place of vaccination. The French decision will put the British Government in a difficult position following the change in the health rules which the French regarded as a protectionist measure. Page 35

Union attacked

A hardline member of the Polish Communist aPrty politburo said the Government should outlaw the Solidarity Union. Back Page, Page 3

Mauroy on jobs

French Premier Pierre Mauroy announced a programme to create up to 150,000 jobs in France by the end of the year to fight unemployment.

Pope speaks out

Pope John Paul backed the right of workers to fight for social justice in his third encyclical letter. Page 2

U.S. grain offer

President Reagan said the U.S. would offer to sell the Soviet Union additional grain when the two countries met in Moscow this month.

Arms control bid

Pravda reported that Moscow is prepared to discuss reductions of medium-range missiles as part of arms control talks with the U.S. Page 2

Prior in Belfast

Mr James Prior, new Northern Ireland secretary, flew to the province yesterday to meet advisors and discuss the hunger strikers. Page 12

Israel price rise

The price of basic foods in Israel rose 15 per cent yesterday as the Government cut subsidies increased before the election. Page 4

Moscow meeting

Labour Party leader Michael Foot and deputy leader Denis Healey arrived in Moscow for talks with Soviet leaders.

£60m for tubes

The Greater London Council is expected to approve in principle a £60m programme for the modernisation of half of London's tube stations. Page 8

Election nominee

Iran's clergy-dominated Islamic Republican Party has proposed its leader, Hojatolesiam Ali Khamenei, to stand in next month's presidential elections.

East German aid

East Germany is sending another another brigade of its Communist youth organisation to Angola to offer skills training. Page 4

Troops drafted

Extra police and troops were drafted into Ulster's South Derry area yesterday in a bid to find IRA gunmen who had struck twice in three days.

Hamleys expands

Hamleys in Regent Street opened what it claims is the largest toy shop in the world. Page 10

Computer rules

The Government is to publish a White Paper on plans to protect individuals from misuse of information held in computers.

Briefly . . .

About 400 people were injured when police dispersed 5,000 rioters in Mexico City.

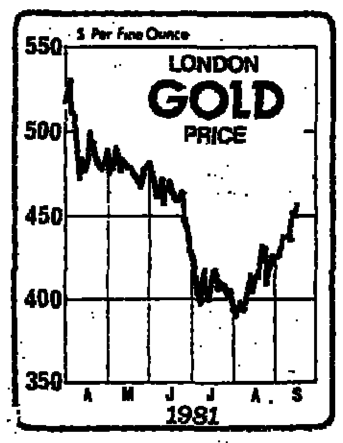
BUSINESS

Gilts at 4½-year low; gold rises $8

● GILTS were nervous amid the prospect of higher clearing bank base rates. The Government Securities Index fell 0.82 to 62.52, its lowest since January 1977. Page 36

● EQUITIES continued to fall despite a late rally, with the FT 30-share index down 7.6 at 534.3. Page 36

● GOLD rose $8 to $459 in London, reflecting the dollar's weakness and lower U.S. interest rates. In New York the Comex September close was $453.3. Page 29



● STERLING rose sharply, closing at $1.8355 ($1.7950); DM 4.29 (DM 4.265) and SwFr 3.67 (SwFr 3.645). Its trade-weighted index was 88.5 (87.0). Page 29

● DOLLAR weakened to DM 2.336 (DM 2.374); FFr 5.5975 (FFr 5.781) and Y222.5 (Y230.1). Its trade-weighted index was 108.8 (110.1). Page 29

● WALL STREET was down 1.80 at 864.35 near the close. Page 34

● CREDIT SUISSE First Boston will today launch a silver bullion traded options market through its subsidiary Continental Ore Europe. Page 35

● IRISH REPUBLIC may bring in legislation to stop state overspending. Page 2

● BRITISH AEROSPACE submitted to the Government its plans for taking part in the A-320 European Airbus project. Page 8; Profits rise, Page 26 and Lex

● TI RALEIGH Industries, the UK bicycle maker, plans to cut its workforce by 550 and close a services subsidiary. Page 10

● DAVY McKEE is likely to win a $600m (£327m) contract to build a methanol and petrol additive plant in Alberta. Back Page

● THOMSON-CSF is among a group of French, West German and Belgian companies to win a DM 100m (£22m) preliminary contract for two Franco-German satellites. Page 6

● UK MERCHANT SEAMEN want a pay rise estimated by employers at 25-30 per cent. Page 13

● CONSOLIDATED Gold Fields boosted pre-tax profits 35 per cent to a record £192m for the year to June 30. Page 28; Lex, Back Page

● ELDER SMITH Goldsborough Mort, the Australian industrial group, raised net profits 19 per cent to A$27.35m (£17.5m) for the year to end June. Page 33

● RHONE-POULENC, the French chemicals company, suffered losses of FFr 24m (£2.33m) in the first half of 1981. Page 31

● HESTAIR, the diversified industrial group, lifted pre-tax profits 84 per cent to £833,000 for the half-year to July 31. Page 27

● BERNARD MATTHEWS, turkey producer, reported pre-tax profits down from £1.71m to £329,000 for the 28 weeks to July 12. Page 26

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES		
North (M. F.)	28	+ 4
Tern-Consulate	56	+ 4
FALLS		
Treas. 11½pc 1985	£89	— ⅛
Treas. 14pc '98-01	£93½	— 1¼
Allen Harvey Ross	310	— 15
BPB	270	— 15
Blue Circle	496	— 12
Channel Tunnel	175	— 50
Cornell Dresses	167	— 16
Farnell Elec.	468	— 15
Ferranti	525	— 20
Granada A	229	— 13
GUS A	433	— 15
Land Securities	310	— 8
Lex Service	113	— 10
MEPC	218	— 8
Matthews (B.)	135	— 12
Office & Electronic	340	— 60
Owen Owen	243	— 10
Polly Peck	290	— 22
Smith (W. H.) A	167	— 7
Smith Inds.	363	— 12
Sotheby's	410	— 17
Travis and Arnold	168	— 22
Union Discount	410	— 25
Westland	102	— 9
Whitbread A	162	— 5
Wilkes (J.)	68	— 6
President Steyn	£20½	— 1
Randfontein Ests.	£29	— 1¼
RTZ	513	— 9
Tanks Con.	325	— 10

Treasury allows for only 4% pay rises in public services

BY ANATOLE KALETSKY AND PHILIP BASSETT

THE Treasury said yesterday that only 4 per cent pay increases in public services will be provided in the spending plans being drawn up by Ministers for the next financial year.

The plan, aimed at reducing the level of settlements in the coming pay round, was greeted with a warning by union leaders that they considered that the Government was seeking a confrontation with them this winter.

Many coupled it directly with the Prime Minister's reshuffle earlier this week, and in particular with the appointment of Mr Norman Tebbit as Employment Secretary, which they saw as a sign that much tougher legislation would be forthcoming against the unions.

The 4 per cent pay "factor", which applies to central government departments and local authorities as a whole, but not necessarily to individual spending programmes, compares with a 9 per cent "price factor" which will be used in making allowances for increases in non-wage costs.

The weighted average of these figures, which indicates the cash increase which will be allowed for public sector costs as a whole, will be 7 per cent, a figure announced in spring. Government has not in the past revealed separate cash factors for pay and prices at such an early stage in the pay round.

The official explanation for the early announcement of next year's pay factors is that planning decisions are now being made by the Cabinet in terms of current rather than constant price. This means that Ministers have to know what factors to use for pay and price increases before they can enter into the annual round of public expenditure planning.

The pay and price "factors" announced yesterday do not appear to have the same immutable status as the cash "limits" which emerge after the planning of public expenditure is completed in spring. Nor are they supposed to be taken as a norm by all public servants. Some are expected to receive lower increases than 4 per cent and the pay factor takes no account of "wage drift," which tends to increase total pay costs by more than the rise in basic wages.

The Treasury states that "there is no automatic entitlement to any particular increase: each must be justified on its merits. The pay factor is a broad measure of what the Government thinks reasonable and can be afforded as a general allowance for increases in pay, at this stage of fixing the programmes from which public service pay has to be met."

Although the new pay and price factors apply only to spending totals to be determined for the financial year 1982-83, the Government expects them to influence public sector pay negotiations immediately. This is because the pay factors for 1982-83 will be calculated on a base that assumes that public sector settlements of only 4 per cent between now and next April. The only major group of public servants due to settle during this period are the local authority manual workers.

The 4 per cent pay factor does not relate directly to nationalised industry pay because the external financing limits of these industries are discussed

Continued on Back Page
Editorial Comment, Page 24
CBI calls for public service cuts, Page 10
Unions warn of action, Page 13

Attack on U.S. general condemned by Bonn

BY JONATHAN CARR IN BONN

THE WEST GERMAN Government and Opposition yesterday condemned an attempt on the life of General Frederick Kroesen, commander of the U.S. Army in Europe, amid fears of a new strain on German-American relations.

Herr Hans Apel, Defence Minister, said it was incredible that General Kroesen should suffer such an attack in a country whose freedom and security he was pledged to defend.

Dr Helmut Kohl, the Opposition leader, stressed that such incidents must have a shocking impact on American public opinion — and simultaneously recalled the demonstration in Berlin on Sunday against the visit of Mr Alexander Haig, the U.S. Secretary of State.

The attack was the tenth act of violence in Germany this year against American personnel and property. General Kroesen narrowly escaped death when his car came under armed attack yesterday in Heidelberg.

Gen Kroesen was driven from his home on the outskirts of Heidelberg to headquarters in the town when his armoured Mercedes came under anti-tank grenade and small arms fire from a nearby hillside.

The General and three others with him were slightly injured.

A bomb exploded at U.S. Air Force headquarters at Ramstein 15 days ago, injuring 20.

Members of the so-called Red Army Faction, a descendent of the Baader-Meinhof gang, later claimed responsibility for the Ramstein blast.

The attacks are emerging at a particularly testing time for Bonn-Washington relations.

Strong minorities of the ruling parties in Bonn fear that Washington is more interested in arming than in negotiating seriously with the Soviet Union.

David Buchan adds from Washington: Mr Casper Weinberger, the U.S. Defence Secretary, said yesterday he was "very concerned" about the growing pattern of attacks on U.S. military personnel in Europe, and that security would be tightened at U.S. bases.

He said increasing security was "a very unpleasant, difficult thing to do because these (military) posts are necessarily open, and one of the hallmarks of our activities in Europe with Nato has been to maintain the best possible relationships with the civilian population."

Volkswagen and Nissan in joint venture to build car in Japan

BY KEVIN DONE IN FRANKFURT

VOLKSWAGEN, West Germany's largest motor manufacturer, will co-operate with Nissan, the second-largest Japanese car-maker, to produce a new VW car in Japan. The venture will be the first of its kind in Japan by any European motor manufacturer.

VW also *yesterday announced* its first losses since 1975, with a deficit of DM 28m (£6.6m) in the second quarter of 1981 compared with an after-tax profit of DM 88m in the corresponding period a year earlier.

Under the deal with Nissan, agreements on which are in the process of being signed, VW aims to start producing its Santana model in Japan in October 1983. The two companies began last December to discuss the joint production of VW's older Passat but the choice has fallen on the Santana, a Passat derivative and a new addition at the top of the VW range which is being launched on the West *German market this week at* the Frankfurt motor show.

Output of the Santana in Japan will start at about 60,000 a year, increasing to a maximum *of 120,000* a year by the end of the first stage of the development in 1987.

A second phase of the deal, already agreed in outline form, foresees production rising to a ceiling of 180,000, depending on the technical and marketing success of the venture.

Production will be based at Nissan's Zama plant near Tokyo. Output will be aimed at other Asian markets as well as Japan. Up to 12,000 of the initial annual output of 60,000 will go to markets outside Japan. Marketing in Japan will be undertaken by Nissan, while VW will be responsible for sales in other Asian and Pacific markets.

Volkswagen will *ship engines*, gearboxes, chassis-parts and some other components from West Germany but the local-manufacturing content will grow as the venture progresses. Less than 50 per cent of the *vehicle will come from the* Federal Republic from the outset.

Each side will carry independently the capital investment for its own part of the deal but VW refused to give any details yesterday of what the venture will cost. It is already in the midst of a DM 13bn three-year investment programme scheduled for completion in 1984.

Only about 1 per cent of VW vehicle sales are currently made to Far East markets. The Nissan deal, which may be extended, represents a major step in this region for the Volkswagen group, which depends for 95 per cent of its sales on Europe and the Americas.

It was the dramatic sales slump in Brazil and Argentina, as well as the continuing motor-industry recession in Western Europe and the U.S. and the mounting losses of its office-equipment subsidiary, Triumph-Adler, that hit the West German concern's second-quarter. Prof

Continued on Back Page
VW Flies the Flag East of *Suez; Renault aims French*-built model at Japanese market, Page 32

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For latest Share Index phone 01-246 8026

Sterling closes 4 cents higher

BY DAVID MARSH AND WILLIAM HALL

STERLING ROSE 4.05 cents to close at $1.8355 in London yesterday. It recovered further against continental currencies after Monday's credit tightening by the Bank of England.

The dollar weakened generally after the fresh cuts in U.S. banks' prime rates. At yesterday's close sterling was nearly 7 cents above levels immediately before Monday's move to raise interest rates. Its trade-weighted index, calculated by the Bank of England, recovered to 88.5 from Monday's 87.0.

The pound closed at DM 4.29 against DM 4.265 on Monday, and at SwFr 3.67 (SwFr 3.645).

The London gilt-edged market had another poor day, suffering from continued fears about the interest rate outlook. Long-dated bonds fell up to £1½ and the FT Government Securities index dropped to its lowest since January 1977.

Interest rate uncertainty was heightened by the failure of any of the big London clearing banks to raise base rates yesterday, despite another rise in money market rates.

The London branch of Chase Manhattan raised its sterling base rate by 1½ percentage points to 14 per cent, but generally bankers were waiting to see what the clearing banks decided.

The failure of the big banks to raise their base rates caused surprise in the City because the key seven-day interbank rate is up to 14½ per cent. This gives companies substantial scope for profitable redepositing on the money markets if they can borrow from the banks at 13 per cent.

The banks are fairly liquid at the moment, and though they admit there is scope for this type of arbitraging, they say they have not seen much activity.

Interest rates: Implications of the sharp rise, Page 24
Lex, Back Page

U.S. banks reduce prime rate to 20%

BY DAVID LASCELLES IN NEW YORK

MOST MAJOR U.S. banks yesterday reduced prime rates from 20½ per cent to 20 per cent, following the move to that level initiated by Chase Manhattan two weeks ago.

The reduction, the first nationwide in more than two months, comes in the wake of a marked decline in short-term U.S. interest rates in the past few weeks. Fed fund's, the key *interbank rate, has fallen from* nearly 20 per cent in mid-August to about 16 per cent, taking some pressure off money markets.

Banks which yesterday cut their primes—the rate at which they lend to their best corporate customers) included Citibank, Morgan Guaranty Trust, Manufacturers Hanover and Bankamerica.

The fact that the banks delayed their response to the lower money market interest rate trends indicates how warily they view the outlook and how dangerous it would be for either the business community or aWshington to hail the cut as a harbiner of the long awaited decline in U.S. interest rates generally.

Wall Street is still worried about the federal budget deficit, though its fears are hurting the stock and bond markets more than the money market.

The easing in short-term rates has been inspired partly by the Federal Reserve Board. It apparently feels it can still achieve its tight money-growth targets while supplying more funds to the markets and making it easier for banks to acquire reserves.

The easing may mark a change in tactics but not of strategy, which is still aimed at bringing about a sustained deceleration in the growth of money.

The Fed's approach seems to be going down quite well in Wall *Street because it is taking pres*sure off the markets without conveying a sense that the Fed is backing off from its basic goal of mastering inflation.

Although a major easing would give the markets a big boost, most analysts believe it would be self-defeating in the long run and lead only to higher interest rates later.

The slight improvement in the market comes, however, amid a mounting debate among politicians and economists on the course of monetary policy, with the White House apparently trying to persuade Wall Street a limited relaxation in interest rates would not be a *had thing, while others are* urging the Fed to stand fast.

Republicans propose extra spending cuts, Page 4

£ in New York

	Sept. 14	Previous
Spot	$1.8050-8070	$1.7925-7975
1 month	0.40-0.47 pm	0.58-0.65 pm
3 months	1.40-1.50 pm	1.80-1.90 pm
12 months	5.20-5.40 pm	6.20-6.40 pm

Sadat expels Soviet personnel

By Anthony McDermott in Cairo

PRESIDENT Sadat of Egypt yesterday ordered the expulsion of the Soviet ambassador and 1,500 Russian technicians working in the country.

This is the largest expulsion of Soviet personnel from Egypt since President Sadat ejected 17,000 military advisers in 1972.

The Ambassador, Mr Vladimir Polyakov, was given 48 hours to leave the country with six other Soviet diplomats and two Soviet journalists. A Hungarian diplomat has also been expelled. The Russian technicians have a week to leave the country.

According to Mr Fuad Moheiddin, the Deputy Prime Minister, speaking after the Cabinet meeting which took the decision to expel the Russians: "Certain elements in the Soviet Union got in touch with Communist elements and made plans to stir sectarian strife and internal sedition as part of a large Soviet scheme for the whole area and especially Egypt."

An official statement said: "The Soviet aim was to carry out a hostile plot against the regime, Egypt's national unity and its social security."

According to Mr Moheiddin the Soviet technicians would end their services within a week so that the various ministries could prepare substitutes depending on Egyptian experts and know how.

The 1,500 Russians are working at the Nag' Hamadi aluminium plant and the Aswan high dam in Upper Egypt, at the Helwan steelworks near Cairo, on the land reclamation project in the Delta, and at cement and asbestos plants. They are also involved in running training programmes.

The expulsions came only two weeks after the clampdown by Mr Sadat on Moslem and Christian coptic extremists and political opponents. About 1,700 people were arrested.

In the last two days the semi-official press has been describing, lavishly illustrated with pictures, two Soviet spy plots code-named "Bog" and Sea." The former was said to involve 12 politicians, professors and journalists, eight Soviet diplomats and journalists and one Hungarian diplomat.

The second involved a student who had obtained a doctorate in Moscow, and who was exposed by Egyptian intelligence "after six whole years of a duel . . . (with) Soviet intelligence agents."

Relations between Cairo and Moscow have deteriorated since

Continued on Back Page

NORWEGIAN ELECTIONS

Conservatives take power in Oslo

BY WILLIAM DULLFORCE IN OSLO

THE SWING to the right in the Norwegian general election was of a slightly different quality from that expected. Nevertheless, Mr Kaare Willoch, the Conservatives' parliamentary leader, will move into the Prime Minister's office next month and Norway will show a different face to the world.

The crucial question is whether Mr Willoch will form a coalition with the Christian People's Party and the Centre Party or lead a minority Cabinet based on his own party.

The Conservatives scored countrywide gains in the polls on Sunday and Monday, boosting their share of the votes from just under 25 per cent to almost 32 per cent, and expanding their Storting (parliament) group from 41 to 54. The Storting has 155 members.

The right wing protest group, the Progress Party, managed to get four of its members into the Storting, disproving the pre-election opinion polls, which had indicated it would be kept out of the parliamentary arena.

With a youthful leader, Mr Carl Hagen, popularly known as "sugar baby" because of his round face, ready smile and a previous connection with Tate and Lyle, the party campaigned on an anti-tax, anti-government interference ticket which seems to have appealed to some first time voters.

For a time during the post-election count on Monday night, the possibility loomed that the Progress Party could hold the balance of power in the new Storting.

Finally, however, the Conservatives' gains outweighed the losses of the Christian People's Party and the Centre Party. These potential coalition partners will have 79 or 80 members in the new Storting, depending on the final count.

The overall swing was from a socialist majority of 78 to 77 in the previous Storting to a non-socialist majority of 86 to 69. The Labour Party's vote dropped from 42.3 per cent to less than 38 per cent and its parliamentary strength from 76 to 65.

Its decline was less than had been feared and represents a minor triumph for Dr Gro Harlem Bruntland, the present Prime Minister. She won the leadership of a tired and divided party only seven months ago, and has rallied it from an opinion poll rating of barely 30 per cent to take more than 37 per cent of the election votes.

Her performance consolidates her grasp of the Labour leadership and at 42, she has every reason to anticipate a return to the premiership at the head of what is still undoubtedly Norway's largest party.

Mr Willoch has led the Conservatives to their best election result since 1924. His immediate problem is whether he can come to terms with the election's two other losers, the Christian People's Party and the Centre Party. The Conservative Party now has twice as many Storting members as these two losers combined.

The kernel of the problem is the present law which gives women the right to abortion on demand. The Christian People's Party, which had its Storting strength cut from 22 to 15, has made its support for the new Government conditional on agreement to change the abortion law.

The Conservatives have made it clear, however, that they are ready to form a cabinet alone, relying on parliamentary support from the other non socialist parties.

Mr Willoch, 52, an economist, has been the sharpest and most persistent critic of the Labour Government's economic policy. He has a reputation for intelligence, ice cold efficiency and not tolerating fools.

His manner is tempered by courtesy and a smile which hints at a concealed sense of humour. Norwegian business and industry expect much of Mr Willoch. He has campaigned for a "dynamic" tax policy to get Norway moving. He has undertaken to reduce both income and corporate taxes and to curb the rate of growth in public spending, which under Labour has been fuelled by the country's growing income from offshore oil and gas.

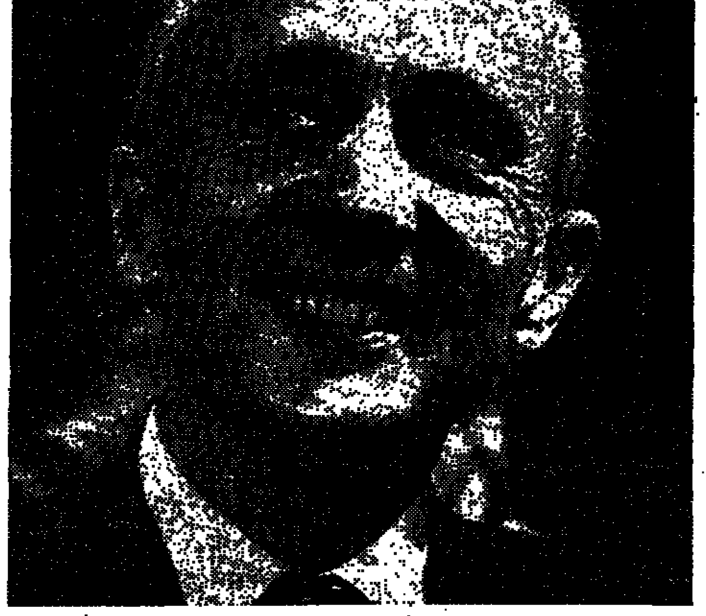
He will give priority to lowering production costs and improving productivity in mainland industry. But he has warned that little can be realised in the 1982 budget which has been largely prepared by the Labour Government.

No drastic changes can be expected in Norway's oil policies, where the Conservatives have backed Labour's line, favouring a faster rate of development than that desired by the smaller parties. The exception concerns the role of Statoil, the state oil company, whose wings the Conservatives would like to clip to allow more space for private Norwegian companies.

MR KAARE WILLOCH (below), the Conservatives' parliamentary leader, said yesterday after meeting his party's executive committee that he would try to form a coalition government with the Christian People's Party and the Centre Party.

Mr Kaare Kristiansen, chairman of the Christian People's Party, said yesterday that his party executive and parliamentary group would nominate tomorrow representatives to negotiate on the political basis for a coalition.

He is understood to want each of the three parties to appoint four people to discuss the coalition, instead of the two-man teams favoured by the Conservatives. A four-man team could enable Mr Kristiansen to neutralise the influence of the hardliners, who want to abolish a law allowing women to decide whether to have an abortion, within his party.



PROVISIONAL RESULTS OF NORWEGIAN GENERAL ELECTION

	Percentage of votes	Seats in the Storting
Labour Party	37.4 (−4.9)	65 (−11)
Left Socialists	4.9 (+0.7)	4 (+ 2)
Conservatives	31.6 (+6.8)	54 (+13)
Christian People's Party	9.3 (−3.1)	15 (− 7)
Centre Party	6.7 (−1.9)	11 (− 1)
Liberals	3.9 (+0.7)	2 (0)
Progress Party	4.5 (+2.6)	4 (+ 4)

Figures in brackets are changes from previous general election.

Basque left-wingers plan talks on unification

BY TOM BURNS IN MADRID

THE BASQUE left-wing political coalition known as Euskadiko Ezkerra announced yesterday that it had agreed to unification talks with the Basque Communist Party.

The talks are aimed at creating a new grouping that will draw equally from the former's nationalist platform of self-determination and the disciplined Marxist ideology of the second.

The development points to the emergence of the significant leftist dresponse to the present local political dominance of the Conservative Basque Nationalist Party (PNV).

A second consequence of the unity talks between the two groups is the direct challenge by the Basque Communists to the tight centralist structure of the Spanish Communist Party, whose leader, Sr Santiago Carrillo, has persistently attempted to block such a merger.

The Communist Party leadership is due to debate the implications of the move at the end of this week. But Sr Roberto Lertxundi, Secretary General of the Basque Communist Party, told Spanish radio that the opinions of Sr Carrillo would not effect the negotiations with Euskadiko Ezkerra. At stake is a fractionalising process in which local Communists follow the Basque example and join nationalist regional left-wingers.

Fuelling the Basque merger is the common background of the guerrilla organisation ETA among the leadership of both groups. Sr Lertxundi broke with ETA in the late 1960s to join the Communist Party. The leader of Euskadiko Ezkerra, Sr Mario Onaindia, was condemned to death, a sentence commuted to life imprisonment, at the first major trial of ETA militants which was held in Burgos in 1970.

Under the leadership of Sr Onaindia, Euskadiko Ezkerra has developed into a fast growing political group that is making increasing inroads into the rival but more loosely organised leftist nationalist platform, Herri Batasuna.

Euskadiko Ezkerra gained six seats in last year's elections to the 60-member Basque parliament against Herri Batasuna's 11.

The Basque Communist Party has shown little electoral appeal. (Only Sr Lertxundi gained a seat last year.) But it maintains a strong labour power base through its presence in the Comisiones Obreras trade union and has a disciplined rank and file.

The alliance between the two parties is expected to challenge the Basque Socialist Party as the major left-wing alternative to the local rule of the PNV.

Pope backs fight for social justice

By Rupert Cornwell in Rome

POPE JOHN PAUL II yesterday powerfully asserted the right of workers to fight for the social justice often lacking in capitalist economies.

But he warned that simple collectivism, where the state rather than private concerns owned the means of production, was not the answer.

This argument is at the heart of the new encyclical on labour matters — the third of the Polish-born Pontiff's 33-month reign — entitled "Laborem exercens," on which work was interrupted by the assassination attempt at the Vatican last May.

The document is, above all, a restatement of the Church's views on the status of work and the worker in the final quarter of the 20th century. It is published 90 years after the encyclical "Rerum novarum" issued by Pope Leo XIII, which represented the first attempt of Catholicism to come to terms with a developing industrial society.

The preference of the Church, as expressed by Pope John Paul II, is for a kind of "third way," which the encyclical refers to as "socialisation," between liberalism, the dominant ideology of the West, and Marxism. In many respects it seems to have much in common with co-operativism, as understood in the West.

Moscow prepared to discuss 'considerable' missile reductions

BY ANTHONY ROBINSON, EAST EUROPE CORRESPONDENT

THE SOVIET UNION is prepared to talk about "a considerable reduction" of medium range missiles as part of future arms control negotiations with the U.S., the official Soviet Communist Party newspaper Pravda said yesterday.

The Pravda commentary appeared to be a prompt reaction to the recent statement in Bonn by Mr Alexander Haig, the U.S. Secretary of State, that the U.S. had not excluded the possibility of cancelling the proposed stationing of medium range Pershing 2 and Cruise missiles in Western Europe if the Soviet side were willing to dismantle the SS-20 missiles now aimed at targets in Western Europe.

According to Mr Haig the Soviet Union has now stationed between 250 and 270 SS-20 missiles with three warheads each in the western part of the Soviet Union.

It was to counter the perceived threat to Western Europe posed by these missiles that Nato foreign ministers decided in December 1979 to sanction the manufacture and eventual deployment of Pershing 2 and Cruise missiles in Western Europe.

The U.S. missiles will only be ready for deployment from the end of 1982. In the meantime Nato has undertaken to negotiate with the Soviet Union with a view to limiting or even rescinding eventual deployment.

During his talks in Bonn last weekend Mr Haig was pressed by Herr Helmut Schmidt, West German Chancellor, to start negotiations on the basis of the so-called "zero option." This means the offer of an agreement not to deploy the new Western missiles in return for a Soviet undertaking to dismantle all SS-20 missiles now in place and planned.

Mr Haig is due to meet his Soviet counterpart Mr Andrei Gromyko at the United Nations in New York on September 22 and 28 to work out a timetable for formal negotiations on medium range missile deployment in Europe. These talks themselves will begin by the end of the year, if agreement can be reached on a timetable and framework for discussion.

Soviet leaders expressed interest in the "zero option" when Mr Willy Brandt, chairman of the West German Social Democratic Party went to Moscow in July. Until now the official Soviet position has been a willingness to freeze existing SS-20 deployment once negotiations start.

This offer, rejected by the West because a freeze would merely legitimise the current Soviet superiority, has now been taken one stage further by the offer of "substantial reductions." What "substantial" means is likely to be the subject of considerable probing once the Haig-Gromyko talks start next week.

Any hopes that the Soviet side would be prepared to forego the SS-20 entirely, however, must be extremely slim. The Soviet view is that the SS-20 was developed in response to developments in U.S. submarine missile technology.

Ireland plans spending curbs

THE IRISH Government may introduce legislation to stop the state overspending.

Mr John Bruton, Finance Minister, wants to avoid the kind of financial position he took over after the recent general election when revenue was not keeping pace with spending. He is considering the possibility of a change to Ireland's written constitution as well as legislation.

Mr Bruton outlined his scheme today at a parliamentary meeting of Fine Gael, the largest party in the coalition Government.

"In an effort to ensure that no future administration is faced with a situation such as we inherited, I am contemplating statutory provisions to prevent a repetition," he told colleagues.

"I do not exclude the possibility even of a constitutional amendment, which would have the effect of preventing an administration leaving huge debts for its successors to clear up."

Energy Review: Italy — By James Buxton in Rome

Why the nuclear power station is still a hole in the ground

MONTALTO DI CASTRO is a somnolent little town about 60 miles north-west of Rome. No one would have heard of it were it not that a few miles outside, near a dreary stretch of coastline, is the site of Italy's fifth nuclear power station.

In 1980, for nearly a year, the Mayor of Montalto di Castro used the considerable powers of his office to block all work on it so that now, two and a half years after construction work began, all that is to be seen is a vast hole in the ground. Even though the tortuous legal and scientific procedures for siting the nuclear plant had been followed, the Mayor insisted on further studies to reassure the local people that it was not in a seismic zone. Montalto di Castro, which will not now be on stream before 1987, symbolises Italy's alarming energy problems.

The affair would not matter so much were not Montalto di Castro the only large power station of any kind which Italy has commenced building since 1974. The facts are that Italy:

● currently relies on oil for 67 per cent of its energy needs (against the average for the EEC of 55 per cent and for the OECD of 51 per cent).

● uses oil to produce more than half its electricity, while getting only 1.1 per cent of it from nuclear energy—much less than the electricity which it regularly imports from its neighbours.

● has so often put off building new power stations that for the past three winters there have been brown-outs and rota cuts. Though the situation will gradually improve up to 1983 as new plants come on stream, it will then deteriorate again as demand increases, until Montalto di Castro starts up.

At last the implications of this are beginning to bear in on the Italian people, and more particularly on their politicians at both local and national levels. A new energy plan was finally published last month, the accumulated work of the three different Industry Ministers who have held office in the past year.

Even its acceptance by the Government and Parliament does not in itself mean that anything will be done, but the plan will form a strategy on which the political parties can agree and attempt to enforce down the line in the regions. Sig. Giovanni Spadolini's Government has set itself the objective of agreeing the sites of three new power stations two of them nuclear, by the end of the year.

Even though Italy's annual energy consumption per head is low at 2.6 tonnes of oil equivalent (TEP) compared with 4.64 in West Germany and 3.65 in France, Italy will be at an increasing disadvantage towards its European competitors as the decade goes on. By the end of the 1980s France could be drawing three-quarters of its electricity from nuclear energy.

Italians are now being reminded that a kilowatt hour of electricity produced by nuclear power costs L25, against L65 for oil and L38 for coal. Meanwhile the soaring lira cost of oil imports is a major cause of inflation. Last year's record trade deficit of \$17bn was roughly equal to the oil bill.

ITALY'S PRIMARY ENERGY SOURCES

Million tonnes of oil equivalent	1980 quantity	1980 %	1985 quantity	1985 %	1990 quantity	1990 %
Solid fuels	12.4	8.5	17.7	10.7	34	18.4
Natural gas	23	15.5	28.9	17.5	35	18.9
Crude oil	98.8	67.2	105.4	63.9	94.4	51
Hydro- and geothermal electricity	10.9	7.6	10.5	6.4	11.6	6.3
Nuclear electricity	0.5	0.3	2	1.2	8	4.3
Imported electricity	1.3	0.9	—	—	—	—
Renewable sources	—	—	0.5	0.2	2	1.1
Total	146.9	100	165	100	185	100

Source: Energy Plan

The underlying problem is that Italy has virtualy no energy raw materials of its own. It has tiny oil reserves, modest but declining natural gas resources and only a small amount of low quality coal (in Sardinia). But the Government response to Italy's meagre natural endowment has been grossly inadequate.

Short-lived governments, their attention dominated by more immediate priorities, have not been able to push through the necessary decisions against the opposition of local politicians who must accept the siting of power stations and other installations in their regions and communes. Environmentalists and anti-nuclear campaigners have provided welcome ammunition to local politicians of all parties.

The fundamental problem is that hte Italian constitution does not give the central government the executive authority that is normal almost anywhere else in the world.

Montalto di Castro is not the only power station that has been held up. At Piombino, in Tuscany, two 320 Mw thermal sets have lain 40 per cent complete since the local authority revoked the station's building licence in 1971. Now the authorities hope that the effect of the winter power cuts and the serious economic situation have changed the attitude of opponents of new power stations. The Socialist Party, which plays a pivotal role in the present coalition Government, has shifted towards favouring nuclear power.

Sig Filippo Maria Pandolfi, who had six months as Industry Minister earlier this year, travelled indefatigably up and down the country, persuading regional governments that they must co-operate in assisting the country's energy needs. The outcome was a set of agreements between the electricity authority, Enel, and some of the major regions, in which they agreed in principle to the siting of nuclear or other types of power station.

The stage was therefore carefully laid for the publication of the new Energy Plan. Its two basic themes are ways of reducing energy consumption and methods of increasing energy production while diversifying away from oil. The Government believes that the increase in the use of energy for heating, both in industry and in the home, can be kept down to 3 per cent over the whole 10-year period ending 1990.

But the Chamber of Deputies has still to approve the legislation, passed some time ago by the Senate, authorising the Government to pay out money to reduce energy use. Even so, district heating schemes based on the co-generation process are going ahead in Northern Italy.

The Government is also hoping that by means of technical innovation and financial incentives the use of fuel in transport and industry can be prevented from increasing by more than 15 per cent during the decade. This leaves the use of electricity by those for whom it is essential as the major source for the increase in energy use. Consumption is expected to rise by 5 per cent a year from 42.2 TEP to 68.7 TEP by 1990.

Apart from the additional oil-fired capacity that is already in the pipeline, the big increases in generating capacity will come from coal-fired and nuclear plant. Coal consumption could grow faster than that of almost any other country as a result of Italy's recent appreciation of its merits: from 18m tonnes in 1980 to 50m tonnes in 1990.

But the bulk of the proposed increase in coal consumption this decade would go to electricity production, as Enel continues to convert oil-fired power stations to coal and if it fulfils its plan to build some 17,000Mw of new coal burning capacity by the end of the decade.

ELECTRICITY SOURCES OF PRODUCTION

(Million tonnes of oil equivalent)

	1980	1985	1990
Imports	1.3	—	—
Hydro	10.9	10.5	11.6
Nuclear	0.5	2.0	8.0
Methane	2.4	2.5	2.9
Solid fuel	4.1	6.7	22.4
Petroleum	23	31.4	23.8

Source: Energy Plan

Building the cola-burning capacity is perhaps less difficult than contructing something Italy as not had before: a network of deep-water coal handling ports, supplemented by railways, coastal shipping fleets and smalle rterminals. At least two major coal handling terminals would be needed: Trieste is likely to be one of ther, the other one or two being on the West Coast. There is the possibility of developing and expanding the navigation system on the River Po and its canals.

Italy has started preliminary discussions on securing long-term coal supplies from Australia. But the Government's greatest efforts are likely to be concentrated on getting under way what would be Italy's first sustained nuclear power station building programme.

The plan envisages raising to 11.6 per cent in 1990 the proportion of Italy's electricity generated by nuclear power. This would partly be achieved by completing Montalto di Castro, and bringing onstream the 840 Mw Caorso plant, completed in 1978 but still to be licensed by the nuclear inspectors.

But the bulk of the new nuclear energy would come from four new units each generating 1,000 MW (almost certainly grouped in two stations) to be brought on-stream by 1990, and the plan foresees three to four more 1,000 MW units being in operation by 1991. All would be pressurised water reactors.

The most likely first sites are in Lombardy in the north and Apulia in the south, with Piedmont and possibly the Veneto in the north to follow (though among the sites listed in the plan is the little island of Pianosa off the Tuscan Coast, on which could be built a 2,000 Mw plant).

Until a new nuclear power station actually takes shape, no-one can say whether or not attitudes to energy have changed decisively. However, the plan faces another big impediment: finance. The whole programme is costed at Lire 85,325bn (\$71bn) in 1980 prices, making it the biggest national investment programme in Italian history. For a Government which is constantly but ineffectively seeking to bring down its colossal public sector borrowing requirement and trying with even less success to divert more funds from current spending to investment, this is an imposing target.

The best example of the sheer inability of Italian Governments to finance vital investment and recurrent expenditure is the current cash crisis of Enel itself. For the past two weeks there has been no work on Montalto di Castro or any other development projects, and many of the authority's fuel suppliers have been waiting months for payment.

This is because the Government has not made the necessary capital transfers to Enel (parliamentary delays are partly to blame for this). Successive governments have shrunk from giving Enel permission to raise its electricity charges in line with fuel costs—without at the same time compensating the authority for loss of income.

So, until the government comes to the rescue, Enel is just keeping the electricity system ticking over, paying its wage bill and servicing its mountainous debt of Lire 18,000 bn (\$15bn).

And these are the foundations on which the Italian energy plan is to be erected.

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EUROPEAN NEWS

Plan to cut Netherlands welfare spending

By Charles Batchelor in Amsterdam

EXCESSIVE SPENDING on welfare programmes is the main target of the Netherlands 1982 budget which was presented to Parliament yesterday.

The outgoing Dutch centre-right Government proposes cutting Fl 4.5bn (£885m) off projected spending with most of the cuts being made in social security and health care. Public sector incomes will also be restrained.

However, the replacement of the Government last Friday with a new, left-of-centre administration means many of the budget proposals may be withdrawn or modified.

The formation of a new Government immediately before the presentation of the budget—which by law must occur on the third Tuesday in September—meant the incoming ministers have had no time to draw up *their own programmes.*

Mr Dries van Agt, the Prime Minister, and Mr Fons van der Stee, Finance Minister, who both retain their positions in the new Government, said that whatever policies the new team *of ministers decided on, cuts in* public spending would be unavoidable.

In their reactions to the budget the two largest trade union federations as well as the two new left-wing Government parties—Labour and Democrats 66—all called for a more effective policy to combat unemployment.

More than 470,000 people—nearly 10 per cent of the workforce—are jobless.

The Government hopes to save Fl 1.9bn by tightening the conditions under which sickness benefit is paid, and by lowering a number of other benefits. Cuts in health spending will save Fl 845m.

Cuts in departmental *spending* will save a further Fl 1bn. All ministries will reduce projected spending with the exception of the departments of Foreign Affairs, Home Affairs and Health, where small increases will occur.

Defence spending will rise by Fl 290m to Fl 12.1bn, which means the Netherlands will meet Nato's request for an increase of 3 per cent in real spending levels. Spending will rise only 1.5 *per cent this year. Savings* have nevertheless been made, putting off investments and reducing the extent of practice manoeuvres.

Cash boost for EEC programmes

BY JOHN WYLES IN BRUSSELS

WINDFALL SAVINGS worth about £400m from the EEC's farm policy are now virtually certain to free extra money before the end of the year for spending on social programmes.

This was confirmed yesterday in a speech to the European Parliament in Strasbourg by Mr Christopher Tugendhat, Budget Commissioner.

As a senior Commissioner anxious to see some important changes made to reduce the costs of the Common Agricultural Policy (CAP), he repeatedly stressed that the savings were due to special factors and did not alter the need to reform the CAP.

According to Mr Tugendhat, spending on farm price guarantees in the remainder of the year will be about £413m (£700m European Currency Units), less than provided for in the 1981 EEC budget.

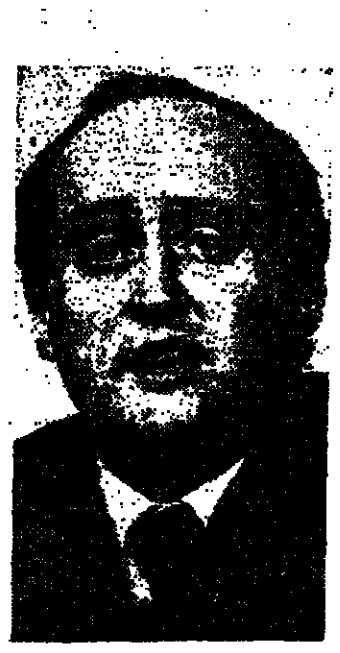
After allowing for a reduction in levies on food imported into the Community this would yield a net saving of £118m (£200mecu) for spending on other policies.

He added that the Commission would decide shortly on the contents of a rectifying budget to be put to the Parliament and the Council of Ministers. It is understood that policies most likely to benefit include an aid plan for redundant steelworkers adopted by the Ten in July but still short of funding.

This would be the second large sum of money to be shaken loose from the CAP this year. The Commission produced a first rectifying budget in May on the basis of a £325m (551m ECU) saving in farm price spending, most of which went into regional development. With heavy emphasis Mr Tugendhat claimed yesterday that the savings were largely due to factors "which we cannot expect to recur or to continue next year."

He cited the strength of the dollar which has increased world prices in terms of local currencies and reduced the amount of subsidy the Community has had to attach to its exports so that they can be sold at the lower world price. It has also, however, reduced the yield from levies on imported farm products.

Mr Tugendhat also credited the weather with saving EEC money by curbing the rise in the Community's milk output to less than 1 per cent on last year.



● Mr Christopher Tugendhat: savings due to special factors

Euro-MPs may face tax demand

BY JOHN WYLES IN BRUSSELS

BRITISH MEMBERS of the European Parliament could be liable to pay UK tax on some of their controversial Parliamentary expenses following a European Court judgment *delivered yesterday.*

Initial interpretations suggested that the court may have *opened a door for the British* and other EEC taxmen if they can demonstrate that some Parliamentary expenses are so generous as to amount to a "bonus."

The case stems from a *tussle between Lord Bruce of* Donington, a member of the nominated European Parliament between 1975 and 1979, and the British tax authorities, which levied a demand on his travel and subsistence expenses in the tax year 1975-1976.

During the year in question, Lord Bruce received more from the Parliament than he *actually spent.*

The court's broad conclusion is that EEC law does prevent the imposition of a national tax on lump-sum payments for travel and subsistence "unless it can be shown in accordance with Community law that such lump-sum reimbursement constitutes in part remuneration."

Legal exports were pondering this qualification yesterday.

In his advice to the court, Sir Gordon Slynn, the British member of the court's advocate general, suggested that taxes should not be imposed on "the amount of expenses reasonably incurred by a member in performing *the duties of his office" or in* such a way as to prevent a member performing his duties and to infringe the Parliament's freedom to operate.

But he implied that expenses might be taxable if expenses were "unreasonably high" and had been criticised as such by the EEC Court of Auditors.

Current travel and subsistence allowances for British members are worth more than £500 for the Parliament's monthly plenary sessions.

Fiterman raises possibility for Chunnel finance

By Our Brussels Correspondent

THE POSSIBILITY of EEC involvement in the financing of a Channel tunnel was raised here yesterday by M Charles Fiterman, the French Minister of Transport.

In talks with M Gaston Thorn, European Commission President, and Mr George Kontogeorgis, Transport Commissioner, M Fiterman is understood to have expressed his Government's strong interest in constructing a tunnel and its preferences for public financing.

French enthusiasm for the tunnel surfaced last week at the summit between Mrs Margaret Thatcher and French President Francois Mitterrand.

Europe warned on 'destroying its future'

BY GILES MERRITT IN BRUSSELS

EUROPE is a "community destroying its future," Mr Ivor Richard, EEC Employment Commissioner, yesterday warned the European Parliament.

Urging a strategic turnaround in EEC member governments' *economic policies,* Mr Richard stressed that during the 1980s unemployment was set to be "the over-riding problem" not just in Europe, but the world.

Addressing Euro-MPs in advance of a debate on employment in Strasbourg, Mr Richard, a former Labour MP and British Ambassador to the UN, drew attention to the "staggering" *increase in the EEC's jobless* total recorded in July, when total unemployment grew by 400,000 in a single month to take the Community dole queue to almost 9m people.

In a hard-hitting speech that *is understood to be part of an* overall strategy aimed at provoking a concerted new jobs policy in the EEC, Mr Richard said: "The way in which unemployment has risen in the past three years is appalling. We have moved from some 6m unemployed in 1978 to almost 9m at the present time, and it is still rising."

He insisted that "some inflationary action by governments is needed if we are to get on the road to recovery, though we *cannot rely solely on a traditional* Keynesian reflation. Nor can individual member states act alone—there must be collective Community action."

The alternative, Mr Richard warned, was even greater unemployment. Referring to the "jumbo" Council of Ministers *meeting in June, which grouped* EEC finance and employment ministers, he said: "It was clear that most ministers recognised that we will not get out of this recession with present policies. If we persist in squeezing our *economies along present lines* we will end up with less output, less investment, less employment and—ultimately—not less inflation, but more."

W. German deficit may shrink to DM 10bn

By Stewart Fleming in Frankfurt

THE WEST GERMAN deficit on the current account could shrink to as little as DM 10bn (£2.2bn) next year, according to a senior Finance Ministry official.

The projection, the most optimistic yet from Government circles, was made by Dr Horst Schulman, State Secretary in the Ministry.

Trends in the balance of trade have already led some private sector forecasters to suggest that the deficit, which last year hit DM 30bn, could shrink dramatically next year.

But all forecasters agree that much depends on world economic conditions and currency *developments if such an improvement* is to be achieved.

Signs of an improving trend in the current account surfaced in the second quarter of the year. Earlier this month, in reporting on the latest current account data, the Bundesbank, the West German central bank, said that on a seasonally-adjusted basis, the current account was almost in balance in July.

Recovery

In the first seven months of the year, West Germany had a trade surplus of some DM 10bn, compared with only DM 4.5bn *in the same period of last year.*

The stronger trend in the Federal Republic's current account has been one of the factors which has led to a recovery in the value of the D-Mark against the dollar on the foreign exchanges in the last month.

In the foreign exchange markets yesterday, the D-mark closed in Frankfurt at DM 2.35 against the dollar. A month ago the D-mark was quoted at around DM 2.55 and a week ago at DM 2.43.

Officials are hoping that the D-mark can maintain its recovery. A stronger currency against the dollar can help to reduce the cost of oil imports and it can contribute to an easing of inflation and create some room for the Bundesbank to ease its monetary policy.

Bonn's aid to Poland confounded by budgetary squeeze

BY JONATHAN CARR IN BONN

THE WEST GERMAN budgetary squeeze is complicating Bonn's attempts to raise DM 250m (£56.8m) to finance a further tranche of urgently needed European food aid to Poland.

Bonn is, however, pushing ahead with its aid programme to Turkey, a Nato partner, and yesterday signed an agreement worth some DM 600m to Ankara.

The European foreign minister, at an informal meeting in England recently, declared their willingness to meet Poland's *latest requests for food assistance* which include some 1m tonnes of grain, 30,000 tonnes of butter and 50,000 tonnes of meat, to be sold at 15 per cent below world market prices and financed by bilateral credit.

This third tranche of aid is worth about DM 1bn, about 30 per cent of which is supposed to be financed by West Germany.

But while the Foreign Ministry is anxious to make the gesture, the Finance Ministry has doubts about where the money is to come from. Talks are continuing between departmental heads, and the matter is expected to be raised at the Cabinet meeting today.

The embarrassment this is causing Bonn was illustrated at the European Foreign Ministers' conference in Brussels on Monday.

M Claude Cheysson, the French Foreign Minister, wanting to speed the Polish aid package, is understood to have suggested that the Ministers cap their meeting with a collective declaration. *But Dr Peter* Corterier, the Deputy West German Foreign Minister, was unable to agree as the Bonn Cabinet has still to find the money.

There seems, however, little *doubt that Bonn will raise the* finance, albeit after an embarrassing delay.

The Turkish aid programme has also been delayed, though largely because of doubts about the human rights policies being practised by the military government in Ankara. Last week the ruling Social and Free Democrats, *including a number* of left-wingers, acknowledged that holding up aid to Turkey would make a return to democracy more difficult.

Herr Hans Dietrich Genscher, the West German Foreign Minister, *went ahead yesterday* and signed a bilateral agreement guaranteeing some DM 130m of defence assistance and DM 460m in economic aid. The decisive element in this, Herr Genscher said, is Turkey's im*portance to the south-eastern* flank of the Nato alliance.

Financial problems, as with Poland, have had an impact on Bonn's policies towards Turkey. Thus while it has always been willing in principle to contribute to a Western *aid package,* it has been reluctant to coordinate international assistance as it did in 1980.

Herr Genscher . . . agrees on Turkish aid

Czech gold pact near

PRAGUE—The U.S. and Britain *are near agreement with* to Prague of 18.3 tonnes of gold Czechoslovakia on the return they hold in lieu of compensation for assets siezed by Communists after World War II, *officials said.*

For the U.S. in particular, the question has been a major stumbling block to normalisation of relations with Prague.

Taiwan turns down Peking's 'peace offer'

BY KEVIN RAFFERTY IN HONG KONG

TAIWAN yesterday sharply rebuffed suggestions from Peking that talks be held on the peaceful reunification of Taiwan with China, on the basis of a power-sharing arrangement.

In Taipei yesterday, Premier Sun Yun-Suan called for the reunification of China only after Peking had abandoned Communism. In Hong Kong, a Taiwanese spokesman, Mr Tso Yiu-Kam of the Free China Review, also set the abandoning of Communism as a first step.

"There is no meaning in talking to Communists who have taken the country and people backwards for 30 years. "He further accused Peking of "seeking to cut our throats and to cut off our hands."

Reports from Communist sources in Hong Kong say that Deng Xiaoping, the Chinese Communist Party vice-chairman, has recently asked high level visitors—who include former U.S. President Jimmy Carter—to convey to the Nationalists on Taiwan the offer of "talks on the basis of equality."

Peking has never yet gone so far in making peace gestures to Taiwan. In the past, the best offer was that there would be an interim period in which Taiwan would be able to retain its own structures. But Taiwan was seen as a province of China, and it was a condition that it must first abandon its flag, anthem, and claim to be the Republic of China.

Now, if the Communist reports are correct, the Nationalists are being offered a say in the development of all China and not just Taiwan. If the latest suggestions were to get off the ground, they could lead to Taiwan's planners being given important posts in China's economic modernisation programme.

The rulers in Taipei, however, remain ultra-suspicious, and see the latest Communist moves as a political ploy to get back control of the offshore island of 17m people. Taiwanese sources also point out that China has reacted angrily to suggestions that the U.S. should arm Taiwan with new weapons.

Both China and Taiwan claim to be the rightful heirs to the title of Government of China. Both claim to inherit the mantle of Dr Sun Yat-Sen, who overthrew the Manchu Dynasty in 1911 and founded the first Republic of China but never lived to see it established.

The struggle has all the intensity of a family quarrel. Economically, the Nationalists on the compact island of Taiwan can boast the better record. Under an authoritarian capitalism, Taiwan has boosted per capita income to the equivalent of U.S.$2,400, compared with less than $500 in China.

China has shown a willingness to learn from Taiwan, and recently removed duties on goods from Taiwan, on the grounds that it was a province of China. Trade worth several hundred millions of dollars has been built up using Hong Kong as an entrepot and Taiwan's textiles, televisions and electronic goods have enjoyed a good sale in China.

But Taipei banned the trade from the start. One official explained: "If we sold to the mainland and became dependent for our markets, it would be easy for Peking to cut us off overnight."

Soviets 'spying off Manila'

MANILA — The Philippines Foreign Ministry has warned against more Filipino joint shipping and fishing ventures with the Soviet Union, charging that some Soviet cargo ships were making electronic soundings of Philippine waters for naval and submarine operations.

A Foreign Ministry study also claims Soviet ships are equipped to monitor U.S. warships in and out of the U.S. Subic Bay naval base near Manila.

It calls on the Government to take utmost care in entering into joint shipping and fishing ventures with the Soviet Union.

The existence of the paper was first divulged yesterday by two Manila newspapers. It was presented at a Government meeting on Monday on the exploitation of maritime resources within the 200-mile economic zone claimed by the Philippines.

A Soviet Embassy spokesman in Manila denied the allegations.

AP

Aridor . . . policy change

Israeli food prices increase by 15%

BY DAVID LENNON IN TEL AVIV

THE PRICE of basic foods in Israel rose by 15 per cent yesterday as the Government cut subsidies increased in the pre-election period as a successful vote-catching move.

Following recent rises in the price of fuel, electricity, water and other goods and services, the subsidy cuts are expected to contribute to a sharp upswing in inflation towards the end of the year. Israel's inflation rate was a world record of 132 per cent last year.

Mr Yoram Aridor, the Finance Minister, reduced the inflation rate in the first eight months of the year to about 100 per cent a year by increasing subsidies and cutting purchase taxes. This helped his party win re-election in spite of it being responsible for the triple-digit inflation rate in the first place.

The Minister is now embarking on a policy designed to reduce public spending and cut the huge infusion of public money into the economy which resulted from his earlier policy.

The cuts are only the beginning of a series of reductions which can be expected in the next few months because government subsidies on basic commodities remains high. Bread has a 143 per cent subsidy, cooking oil 55 per cent and eggs 40 per cent.

The reversal of policy will not be felt immediately in the consumer price index. The rise in the figure for August, due to be published last night, was not expected to exceed 5 per cent.

The rise in the September inflation rate is expected to be at least near double figures, and the last three months of the year are likely to follow suit.

This means that in spite of earlier hopes that the inflation rate could be brought below 100 per cent this year, the questions now being asked by economists is how much will it go above 100 per cent.

Sharon defends strategic co-operation with the U.S.

BY OUR TEL AVIV CORRESPONDENT

STRATEGIC co-operation with the U.S. will "tie Israel's hands to some degree," according to Mr Ariel Sharon, the Defence Minister, but the country was certainly not putting its armed forces at the disposal of Washington to serve U.S. interests.

He rejected complaints by the opposition Labour Party that at the Washington summit Mr Menahem Begin, the Prime Minister, had given up his opposition to the U.S.-Saudi Arabia arms deal in exchange for a military-strategic co-operation pact that gave the U.S. much more than it gave Jerusalem.

Israel was entering into strategic co-operation with the U.S. first and foremost to serve its own national security interests, Mr Sharon said.

Gen Rafael Eitan, Israel's chief of staff whose reported remarks last week doubting the stability of the Egyptian Government led to the postponement of his visit to Egypt, tried to make amends yesterday.

Before leaving for a visit to the U.S., he described Egypt as the most stable Arab country in the Middle East and the "slight" upheavals going on there do not endanger President Anwar Sadat's Government or the peace agreement with Israel.

There will be intensive consultation between Israeli and U.S. officials in the next few weeks which should lead to a "memorandum of understanding" to be signed by Mr Sharon and Mr Caspar Weinberger, the U.S. Defence Secretary in November.

The Israeli Minister said there is a "common understanding" between Israel and the Reagan Administration on the basic purposes of the new relationship, although there are differences about how to achieve these.

The Minister said the U.S. "wants to incorporate Israel and its military forces into the efforts to deter Russia and Russian surrogates from threatening the Near East and Africa."

He believes U.S. strategy in this area should be based on a pre-emptive deterrent.

The Minister said Israel's Mediterranean seaboard could facilitate military operations in the direction of southern Europe, while its geographic siting could facilitate "a military approach towards the Gulf by land."

Fifth East German youth brigade sent to Luanda

EAST GERMANY is sending an additional "brigade" of its Communist Free German Youth organisation to Angola, the fifth operating in that war-torn country, Leslie Colitt writes from Berlin.

The East German Communist newspaper Neues Deutschland said most of the East German "internationalists" are training the Angolans as skilled workers and mechanics.

East Germany has a military aid agreement with Mozambique, but its assistance to Angola until now is thought to have been mainly civilian training programmes in the transport sector.

The newspaper said that in the present "complicated situation" Angola needed every helping hand. Members of the East German youth brigade there are nearly all graduates of the paramilitary Society for Sport and Technology which provides cadres for the East German army's officer corps. Many of the East German advisers are senior youth organisation functionaries in their 30s.

Neues Deutschland said the brigade will work closely with specialists from the Soviet Union, Czechoslovakia, Bulgaria and Cuba in "important sectors of the economy."

Some 4,000 East German advisers are said to be deployed in several African countries, according to Western intelligence. They include youth organisation personnel, as well as Interior Ministry and agricultural specialists.

When East Germans return home from a year in Angola, Mozambique or Ethiopia, they are given preference in housing and jobs. Unlike Romanian or Polish specialists who work under contract in many African countries, the East Germans are not paid in Western currency.

East Germans and East Europeans frequently resent the aid their governments supply to developing countries as they suspect it is granted for political reasons and drags down their own standard of living.

Oil-starved East Germany does not get oil from Angola, which is sold only to Western countries for hard currency, but receives cheaper grades of coffee.

South Africa said it killed about 1,000 South-West Africa People's Organisation (Swapo) guerrillas and Angolan troops during its 13-day operation inside Angola and predicted Swapo would take at least a year to recover, Reuter reports. South African units brought back more than 3,000 tonnes of equipment including 12 ageing, Soviet-made T-34 and PT-76 amphibious tanks, and 300 other vehicles, including the trucks above.

Cattle for Angola go via Cape Town

RECENT clashes between South African and Angolan armed forces have not deterred South African veterinary and railway officials from helping to transport 10,000 cattle from Botswana to the Angolan capital of Luanda, via Cape Town, Bernard Simon writes from Johannesburg.

The cattle, to be used for breeding stock, were ordered by the Angolan Government from the Botswana Livestock Development Corporation, according to Mr Peter Neilsen, the corporation's secretary. Sending the cattle by rail to Cape Town and then by sea to Luanda was "the most efficient route we could find."

There is no direct road or rail link between Botswana and Angola, and the Zimbabwean system is stretched to its limit.

The corporation has chartered a vessel to carry the cattle from Cape Town to Luanda, while South African railways has assumed responsibility for bringing them from Botswana.

Transit time from southern Botswana to Luanda is 14 days. Six consignments of 800 cattle each have been delivered.

Fighting erupts again in Tehran

By Terry Povey in Tehran

TEHRAN was again yesterday the scene of heavy fighting between revolutionary guards and guerrillas from the radical People's Mojahedin organisation that is attempting to overthrow the regime of Ayatollah Khomeini.

The most severe clash took place in one of the capital's most important streets, Vali-Asr Street. A bus was stopped and its passengers ordered out by the guerrillas. As security forces rushed to the scene, confused fighting spread throughout the whole area.

Without thinking that some of the escaping guerrillas might have abandoned their weapons, revolutionary guards handled roughly any suspect picked up from the lingering crowds. Three young men were dragged off their bicycles and ordered to lie in the street while a guard with a sub-machine gun questioned them, occasionally kicking them in the face and ribs.

Women in Islamic dress appeared particularly suspect to the guards and a group in long black veils were rounded up in one side street. Close by, two injured bystanders sat bleeding profusely from head wounds.

"All I can tell you is that one of the suspects we arrested died in the car," said one guard pointing to a Range Rover with bullet holes in several windows.

The revolutionary guards seemed in no mood to tolerate anything other than immediate obedience from anyone they questioned. Frightened shoppers who tumbled out of a women's shoe shop were clubbed across the back of the head by rifle and pistol butts. Many in the watching crowd showed both fear and resentment.

This new tactic of the Mojahedin in which they make lightning strikes as part of their war of nerves against the revolutionary guards appears to be having its desired effect. For 10 days these incidents have been almost daily.

It is impossible yet to judge how effective this tactic is against the regime. But one small incident yesterday could, if repeated, become a serious threat.

A young man simply challenged an enraged guard to kill him. Quivering with anger, the guard stood for a moment with his fingers twitching on the trigger, then walked off. The street just froze while watching.

In yesterday's clashes at least 10 people were killed and many more injured. According to eyewitnesses, eight died in one incident, several revolutionary guards among them. I saw one body, already pale and lifeless, that once belonged to someone who had shouted slogans against the guerrillas as they came by.

As night came down in Tehran, there was an uneasy quiet again. The shooting was over for the time being and the guards were back in control of the streets. But the price being paid for this control is high.

● Six leading fundamentalist figures are reported to be among the 44 candidates for next month's presidential elections in which Iran will elect a successor to Mr Mohammed Ali Rajai, who was killed in a bomb blast. Among them are Hojatolislam Ali Khamenei, Tehran's Friday prayer leader and the head of the dominant Islamic Republican Party, and Prime Minister Ayatollah Mahdavi Kani.

Mobutu stakes political survival on salvage of Zaire's economy

BY MICHAEL HOLMAN

FEW OBSERVERS at the U.S. Congress would have thrown up their hands in surprise yesterday when Mr Nguza Karl-I-Bond, Zaire's exiled former Prime Minister, testified on corruption and mismanagement in Zaire.

Mr Mobutu Sese Seko, the President of Zaire and one of Africa's toughest political survivors, did not acquire his enormous wealth on his official salary alone. Few countries know this better than the U.S., closely involved in the affairs of this vast, potentially wealthy state since Zaire's turbulent days in the 60s.

But the ambivalence towards Zaire felt by the Carter Administration, concerned with probity and human rights, has been replaced by the African realpolitik of President Reagan and his advisers. They have singled out Zaire as a country which, by virtue of its pro-western stance and strategic resources such as cobalt and copper, deserves Washington's help.

Nevertheless, Mr Nguza's allegations come before the House Africa sub-committee at a critical time for Mr Mobutu. The President, battling to salvage Zaire's economy, has his own political survival at stake in a protracted and complex international operation to keep his country afloat.

The operation has three main planks:

● A three-year International Monetary Fund (IMF) 912m Special Drawing Rights (SDR) extended fund facility announced in June, of which SDR 100m has been drawn.

● A World Bank sponsored consultative group meeting a few days later, designed to mobilise further external support.

● Agreement on rescheduling external government debts at a meeting in Paris in July of western creditors. In 1979, Zaire reached agreement on rescheduling the bulk of commercial loans. Its total external debt is $4.8m (£2.7m).

The package is the culmination of more than two years' effort, including a $150m stand-by agreement with the IMF, which began in August 1979 and concluded in March this year.

It follows the grim decline in the mid '70s of Zaire's economy, hit by a disastrous nationalisation programme, falling copper prices, and an unmanageable external debt.

Backed by the major donors, the Government now has a programme for the recovery of what is one of Africa's best endowed States. The programme is based on rehabilitating industry, giving investment priority to agriculture and mining, and improving the transport system.

A five-year decline in Gross Domestic Product (GDP) appears to have been arrested, with growth of around 1 per cent last year.

But the risks for the President and his two senior advisers—Mr Sambwa Pida Nbagui, the Governor of the Bank of Zaire, and Mr Namwisi Ma Koyi, the Minister of Finance—are considerable. For there has been no immediate benefit for ordinary people in Zaire.

Yet the level of debt servicing for 1981 is likely to mean a further year of austerity for Zaire. The Paris meeting of western governments agreed to reschedule $260m of debt falling due this year and defer a further $85m. That leaves some $370m to pay. For next year, a further $280m was rescheduled, leaving a balance of around $500m still to be met.

In the opinion of some economists, the squeeze may have been applied too tightly. The Paris meeting of western creditors was working on the basis of export receipts made earlier this year. "Looking back now," says one economist, "those figures were optimistic. Life is going to be much harder than we thought.

This is partly because the prices of copper and cobalt—between them accounting for about 60 per cent of Zaire's exports—have been lower than last year.

The developments of the past 18 months, however, have left the president in an invidious position. He may satisfy grudging and suspicious creditors and fulfil the foreigners' formula for economic recovery. But until the benefits reach his people, the President's tenure of office must remain uneasy.

AMERICAN NEWS

Republican Senators seek extra $16bn spending cuts

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON

REPUBLICAN leaders in the Senate yesterday presented President Ronald Reagan with a plan for an extra $16bn-$17bn spending cut in the coming year's Budget—including cuts of more than twice the $2bn proposed by Mr Reagan in defence spending.

Mr Reagan told the Senators, led by Mr Howard Baker, the Senate Republican leader, that he had not yet made the final decision on the new round of cuts, which he plans to announce next week. But the total figure proposed by Senator Baker is about the size the White House is considering.

As he works on the cuts, Mr Reagan is at the same time trying to reconstruct the successful coalition in Congress, including Right-wing Democrats, with which he triumphantly established his first round of spending and tax cuts in the summer.

On Monday, he received representatives of the 47 so-called "Boll Weevils," the Southern Democrats who rallied to his support in July, followed by the two dozen or so "Gypsy Moths," the moderate Northern Republicans, who backed the first round of cuts only after the White House agreed to spare some of their favourite programmes.

Both groups favour higher cuts in defence spending than those settled on at the weekend after a tough battle between Mr Caspar Weinberger, the Defence Secretary, and Mr David Stockman, the President's Budget Director.

Mr Reagan might not be too unhappy if somewhat higher defence cuts were forced on him by Congress. Some of the "Gypsy Moths," however, are bitter about having to face a new round of cuts so soon.

While the Senate Republicans are keen to press ahead, feelings among the Republicans in the House of Representatives are more mixed.

Mr Robert Michel, the House Republican Leader, has warned that it will be a really "tough battle" to get the cuts through the Democrat-dominated House.

The Republican package was said to provide for defence spending cuts of $4bn-$5bn in fiscal 1982, which begins on October 1.

There would also be a series of cuts in programmes including social security and medical assistance, and possibly adjustments in social security cost-of-living increases.

The Baker plan would keep the 1982 deficit at about $50bn, according to one Congressional aide, against the $42.5bn the White House insists it is still aiming at.

White House officials have reacted with some irritation to a suggestion earlier this week by Mr Malcolm Baldrige, the Commerce Secretary, that a deficit of $50bn would not matter too much.

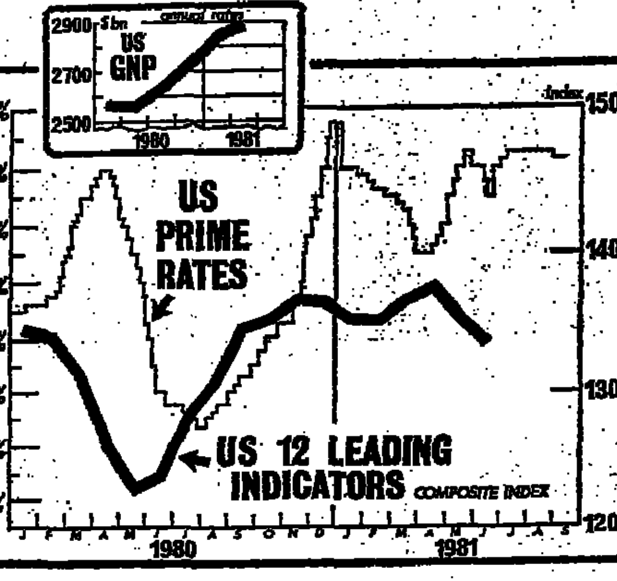
Even at that level, it would be well below private estimates of as much as $70bn or $80bn—enough to convince the nervous financial markets that the trend is downwards, in Mr Baldrige's view.

Meanwhile, further evidence of the economic slowdown has come with the July figures for business stocks which showed an increase for the second month running.

The increase from July was 1.1 per cent, against 0.8 per cent in June, the Commerce Department said.

Wall Street is alarmed by the threat of lending curbs, writes David Lascelles

U.S. politicians give credit controls warning



THE SPECTRE of credit controls has once again been raised in the U.S. by politicians who are worried that record high interest rates will damage their prospects at next year's mid-term elections.

The country's experience with controls last year under President Carter suggests that they do little, if any good and informed opinion is almost unanimously against them. But enough Americans may have been exasperated and bewildered by the crisis in the markets to make controls a political starter in the months ahead.

Ironically, the angry mutterings about controls came from leaders of President Ronald Reagan's own Republican Party. Sen Howard Baker, majority leader in the Senate, and Rep Robert Michel, leader in the House, said last week that the financial markets were playing "a dangerous game" and that unless interest rates started coming down soon, Congress might have to take the matter in hand.

Both took some of the sting out of their remarks by hastening to add that they did not believe credit controls work. But it was enough to trigger a sharp response on Wall Street.

Bond prices leapt up, a natural response given that credit controls tend to bring interest rates down—though only in the short term. But the underlying reaction was one of apprehension that political pressures might push Capitol Hill into legislating controls even though many influential Congressmen have come out against them in the last few days.

"We're going to have to watch this one very carefully," said an economist at a leading Wall Street firm. Much of Wall Street's alarm stems from the bluntness of the threat. No one has said what kind of controls might be introduced, or for how long. Analysts have also ridiculed the notion implied by the attacks on Wall Street that there is a tight-knit conspiracy in the financial markets to keep up interest rates—a conspiracy which can be busted by legislation. On the contrary, Wall Street views itself as a broad and sensitive barometer which it would be futile to try to control.

"The voicing of political frustrations with high interest rates is hardly sufficient to overcome the stark and difficult realities confronting the credit markets," commented Dr Henry Kaufman, a prominent economist at Salomon Brothers, who blames high interest rates largely on Washington's massive borrowing needs.

At the moment, the only authority for rationing credit is the 1969 Credit Control Act, which gives the President sweeping power to require the Federal Reserve Board to limit "any or all" extensions of credit. It is extremely unlikely that this power will be used. Not only has the Reagan Administration proclaimed itself philosophically and practically against credit controls, but to invoke them would be a dismal admission of failure just as Reaganomics have got on to the statute books. On Monday, Mr Donald Regan, the Treasury Secretary, said that controls "have never worked" and are "no substitute for the market place."

The Administration — and Congress for that matter — would also have to weigh the impact of controls on an economy that is already in uncertain health.

The Fed is opposed to credit controls for broadly similar reasons: It does not believe that they work in the long run. Mr Paul Volcker, the chairman, has even said that he feels "uneasy" about the powers bestowed on a President by the Credit Control Act. Mr Volcker has advised that the act not be renewed when it expires next June.

Much as the financial community would like the markets to get a boost, it dislikes controls. However, some segments, like the thrift institutions, would welcome them, having lost out badly in the competition for funds in the last 12 months because they cannot afford to pay depositors the going rate.

These institutions are already about to benefit from a new and rather limited form of credit control, the all-savers certificate, which can be offered from October 1. This is a special savings instrument which allows the thrifts to pay tax exempt interest on certain funds, provided they use the major portion to finance farming and housing. While the certificate will ease some of the pressure on the thrifts, there is no disguising the fact that it is a form of credit allocation. Quite how much it will help the battered housing industry remains to be seen.

The business community's attitude to credit controls depends largely on what measures emerge. The hard pressed car and housing industries would have to come in for special favour in any package of controls and would doubtless welcome them for that reason. But for the rest of business, controls would mean less credit with consequent tougher times and even bankruptcy for weaker companies, who are now legion.

Consumers usually bear the brunt of credit controls. There is no reason to believe that their current heavy borrowing would escape any new measures. But with mortgages costing 17½ per cent and with Wall Street as a convenient whipping boy, congressmen clearly believe that controls would be popular politically.

If Mr Baker and Mr Michel are to carry out their threat, they would still have to overcome the lingering unpleasant memories of Mr Carter's package, which backfired and reflected badly on both the Government and the Fed.

Mr Michel set a deadline of 60-90 days for interest rates to come down before he plans to act. Some analysts believe that the market might well do the job for him in that time by running slap into a credit crunch. Credit demand, particularly for bank loans, is still soaring and there is a chance that interest rates will spiral into an excruciating spike which will choke off that demand once and for all.

Although this would be just as painful as credit controls, some people on Wall Street would prefer the market to work its own way out of the crisis, rather than have it resolved by administrative fiat.

Bankers to meet for 'safe lending' talks

By Peter Montagnon

ABOUT 100 bank regulators from around the world are to meet in Washington ahead of the forthcoming International Monetary Fund annual meeting to take a fresh look at the means available to safeguard banks from the risks inherent in international lending.

The two-day meeting on September 24 and 25 is a follow-on from a similar meeting held two years ago in London. It is to be hosted by the Federal Reserve Board.

It is understood that the meeting is not intended to take any decisions on international harmonisation of rules on cross border lending.

Rather, it will provide an opportunity for the debate on safe banking practices to be extended beyond the rather narrow confines of the Bank for International Settlements, the traditional forum for such discussion.

The meeting comes against the backdrop of the Polish debt crisis

Brazilian industry slides deeper into recession

BY ANDREW WHITLEY IN RIO DE JANEIRO

BRAZILIAN INDUSTRY is continuing to slide deeper into recession with little prospect of a recovery before the end of the year, despite official re-assurances that the worst may now be over.

Latest statistics from the official IBGE Foundation published yesterday show a fall in production by manufacturing industry, measured by volume, of nearly 5 per cent in the first seven months of the year. Vehicle output was down by 18.8 per cent.

The downturn has had a traumatic effect on industrialists accustomed to annual growth rates approaching 10 per cent, and has increased the pressure on Sr Delfim Netto, the Planning Minister, to ease the tourniquet on domestic credit.

Since its peak last September, the rate of growth of industrial production in Brazil has fallen every month, according to Central Bank figures, and has been negative since April.

According to the Foundation, in the 12 months to the end of July, industrial output as a whole rose by only 0.4 per cent. A year earlier the figure stood at 6.8 per cent, while in July 1979 it was 9.2 per cent.

The latest figures will exacerbate the existing tensions within the Government over economic policy.

However, the Government show few signs of relenting. Only last Friday, Sr Carlos Langoni, the central bank governor, warned Brazilian and foreign bankers that the present monetary controls would be maintained during 1982.

The recession has had its most severe impact on the Sao Paolo region, where much of the country's manufacturing industry is located.

Yesterday's statistics showed a decline this year in Sao Paolo State's output of 7 per cent, and of 4.8 per cent in the neighbouring industrialised State of Minas Gerais.

'Cut Canada interest rates' call

BY OUR FOREIGN STAFF

CANADA'S Liberal Party MPs were yesterday telling the party leaders that the Federal Government must act soon to cut high interest and mortgage rates, or face growing opposition in the country.

The backbench MPs were meeting yesterday behind closed doors at a special session of the party caucus and were expected to tell party leaders of the bad image the Liberal Government has developed in their constituencies over the summer recess because of its apparent indifference to the economic plight of the voters.

The MPs said that on their return to their home constituencies this summer they had found most of their constituents very worried about high interest and mortgage rates and soaring inflation.

The MPs were stressing, however, that they were not going to rebel against Mr Pierre Trudeau's leadership as Prime Minister.

When he was re-elected in 1980 he made it clear that this was his last election and he would be stepping down from office sometime before 1984.

Parliament is scheduled to resume on October 14. The Liberal caucus traditionally meets at the end of September to canvass its members and determine the attitudes of voters. There has been so much criticism of the Government that the caucus has been called early.

As spokesman for Canada's small businessmen, Mr Allan MacEachen, Minister of Finance, gave a preview of the complaints of small business at a meeting on Monday.

Haig adviser visits London for Central America talks

BY HUGH O'SHAUGHNESSY

GEN. VERNON WALTERS, formerly deputy head of the U.S. Central Intelligence Agency, and a close adviser of Mr Alexander Haig, U.S. Secretary of State, arrives in London today for private talks on Central America with the British Government and members of the Opposition.

Meanwhile, all sections of the British Labour Party have united this week in a new burst of criticism of U.S. policy in El Salvador.

Yesterday, the International Committee of the Party endorsed a resolution tabled by Dame Judith Hart, a noted Left-winger, applauding the Franco-Mexican initiative in recognising the Revolutionary Democratic Front as a representative political force and calling on the British Government to back talks to end the Salvadorean conflict.

On Monday, Mr Denis Healey, Labour's deputy leader, called the Central American policies of the Reagan Administration "not only a prime cause of tragic and unnecessary human suffering, but also a serious threat to the unity of the Western alliance."

WORLD TRADE NEWS

Thomson-CSF joins consortium to build European satellites

PARIS—Thomson-CSF, the electronics arm of the Thomson-Brandt group, said yesterday that a group of French West German and Belgian companies has signed a DM 100m (£22m) preliminary contract to build two Franco-German satellites to beam radio and television signals direct to home receivers in Europe.

The participants in the Euro-satellite consortium with Thomson-CSF are AEG-Telefunken and MBB of Germany, France's Aerospatiale and ETCA of Belgium.

The clients for the two satellites are the French National Space Research Centre, (CNRS), Telediffusion de France (TDF), (the French state broadcasting company), and the German Ministry for Research and Technology.

Thomson-CSF said the pre-contract would be replaced in a few months by a definitive contract worth up to DM 520m.

The two satellites will be launched by the Ariane European launcher from the launch base at Kourou in French Guyana in 1984.

Each will be capable of broadcasting television and/or stereophonic radio programmes on three channels. Europeans will be able to pick up the signals through 90-centimetre diameter "dish" antennae installed on the roofs of their houses or apartment blocks.

The Franco-German project is the first of its type and will give the companies involved in Eurosatellite a substantial lead in the world market for direct-TV satellites in the coming years, observers say.

AP

Indian iron ore plant to go ahead

BY K. K. SHARMA IN NEW DELHI

A 3m TONNE iron ore pelletisation plant is to be set up at the port of Mangalore in the southern Indian state of Karnataka. It will include Romanian collaboration at a cost of Rs 900m (£55m).

Contracts for the plant, which will be commissioned by the middle of 1984, have been signed by the Government-owned Kudremukh Iron Ore Company and the Romanian Uzine Export and Import Company and the Romanian Mineral Export and Import Organisation.

A separate agreement has been signed with the government concern of Lugri for the purchase of technology on pelletisation of the iron ore concentrates produced at the Kudremukh project

Romania has agreed to import Kudremukh iron ore concentrate after mixing it with iron ore fines and hopes to eventually buy 1m tonnes annually. India urgently needs to sell the iron ore since Iran has failed to pay $280m out of the $650m that the project has cost. Iran also has not yet imported any of the ore.

Negotiations are being held with the present authorities in Iran on the matter.

Oil study completed for Moscow

BY MARK MEREDITH, SCOTTISH CORRESPONDENT

THE SOVIET UNION has taken delivery of a technical study carried out by McDermott Engineering of London for the development of offshore oil reserves around Sakhalin Island off the Pacific coast, north of Japan.

Mr Y. Litov of Sudoexport, the Soviet trade organisation, said at the offshore Europe exhibition in Aberdeen that McDermott had been commissioned to draw up proposals for the best way to develop the Soviet islands' offshore potential.

The report analysed geological information as well as details on sea conditions and the dangers from ice.

No figure has been mentioned for the value of the study which was handed over to the Soviet Union in recent weeks.

Mr Georgi Sahchukin, an official of the Ministry of Trade, said the Soviet Union is looking for geological and siesmic technology at the Aberdeen exhibition which opened yesterday.

UK on show at Hanover fair

BY JAMES McDONALD

THE BRITISH machine tools industry is staging a strong display at the European Machine Tool Exhibition—4 EMO—which opened in Hanover, West Germany.

Over 60 UK machine tool and associated equipment manufacturers, representing well over half the British industry's turnover, are exhibiting at the largest machine tool show ever, and attracting exhibitors and buyers from more than 33 countries.

Trade in machine tools between Britain and West Germany has been heavily weighted in West Germany's favour, but the trade gap narrowed last year. UK exports to West Germany rose from £14.8m in 1979 to £25.3m in 1980, while imports from West Germany dropped over the period from a record £101.7m to £78.1m.

Britain is the sixth most important machine tool manufacturing nation with a 4.5 per cent share of world production, but over 25 per cent of the world's machine tool imports come from West Germany.

UK goods occupy over 5,000 square metres of net stand space in 4 EMO. Key British developments on view are in the field of numerical control

Ford launches tractor range

By Alan Pike in Geneva

FORD MOTOR yesterday launched a bid to improve its position in the troubled international tractor market with its new Series 10 range of models which will sell in more than 130 countries.

The range will reach the market at a time of considerable depression for tractor manufacturers. Free world sales totalled 823,000 last year—nine per cent down on 1979, and 15 per cent below the record breaking level of 1976.

Mr Donald Petersen, president of Ford, when the new range was unveiled to dealers in Geneva yesterday, admitted that world sales this year could fall below 800,000 for the first time in nine years.

He predicted, however, that tractor industry sales would "climb back from today's depressed levels" to an annual volume of more than 800,000 units next year and a record 1m units a year by 1986.

"Farm and industrial tractor markets have been hit by high interest rates, high energy costs, uncertainty over Common Market agricultural policies and generally poor economic conditions," he said. But a gradual improvement in these economic conditions could begin in the final quarter of this year and continue in 1982.

Ford hopes that the Series 10 and other new tractor products will improve the company's sales by at least 20 per cent over the next five years. Since the most that can be hoped of European sales—currently the lowest since World War II—is that they will return to their pre-recession levels, much of this growth will have to be sought in developing countries.

The new product range, part of a $1bn five year development programme, will be interpreted as demonstrating Ford's determination to stay and grow in the tractor business. The poor state of the European market, however, is likely to keep alive speculation about possible rationalisation.

AUSTRALIA'S CAR INDUSTRY

Pressure mounts to lift protection

BY PATRICIA NEWBY IN CANBERRA

THE WARM and gentle free-trade breeze wafting about Canberra recently has been replaced with an icy gale of protectionism as the powerful industry groups have organised their campaign against tariff reform.

A number of crucial decisions on protection policy and assistance to industry generally will be made by the Australian Government in the next six months.

Recently the Government announced that its tariffs advisory body, the Industries Assistance Commission (IAC), would review the whole question of protection with a view to lowering it. The IAC was also asked to examine assistance to industry in general—export incentive schemes and so on—and to recommend a more efficient allocation of taxpayers' money to business. Both reports are to be prepared within six months.

In the meantime, the Government has to decide its post-1984 policy towards Australia's heavily protected motor vehicle industry.

The IAC has recommended the phasing-out of quotas on imported motor vehicles and the gradual reduction of tariffs from the current 60 per cent to 35 per cent by 1990.

The state of Victoria, which relies heavily on manufacturing, has opposed the federal Government's lower-protection moves. State Premier, Mr Lindsay Thompson, faces an election early next year.

And from its Melbourne base, General Motors-Holden (GMH), the wholly-owned subsidiary of GM of the U.S. and the Vehicle Builders' Union, have launched a joint advertising onslaught to convince the Government and the public to maintain protection for the industry.

Full page advertisements in Australian newspapers featuring the workers but paid for by the General Motors, predict the total annihilation of the Australian car industry if the Government accept the IAC report.

The Government was to have made a decision on the car issue soon, but following a visit to Canberra recently of GM-H's managing director, Mr Chuck Chapman and Ford's general manager, Sir Brian Inglis, the Cabinet decided to defer the decision until the end of October owing to the illness of Prime Minister Malcolm Fraser.

The protectionist forces hope that Mr Fraser will be influenced by the possibly electorally-damaging employment consequences of reducing protection for industry. The joint GM-H-union advertisement says 200,000 jobs will be lost if the IAC report is adopted.

The National Farmers' Federation and the Australian Consumers Association, which are spear-heading the anti-protection campaign, have described the advertisement as scurrilous and scaremongering.

There are only 70,000 employees currently engaged in vehicle building and associated component manufacture. The anti-protection lobby argues that employment in subsidiary activities, such as assembling imported cars, and the servicing of vehicles would increase if more cars were imported and if they were cheaper.

Mr John Hyde, who heads the free-trade forces on Mr Fraser's backbench, recently complained to Parliament that while foreign companies such as GM were welcome to seek profit in Australia "they are not welcome to publish blatantly dishonest advertisements seeking to influence Australia's democratic processes in favour of less competitive, more favoured positions for themselves."

Mr Hyde's group of free-traders hope for a public backlash towards multinationals such as GM-H which has threatened to cease manufacturing in Australia if current protection levels are lowered.

The freetraders have been highlighting the fact that GM-H has reduced by 6,000 its workforce over the past two years and that both GM-H and Ford have closed plants in Australia on instructions from their North American parents.

The IAC argues that vehicle manufacturers will have to move more and more towards robots if they are to compete at all so that jobs in motor vehicle manufacturing will decline anyway. Employment in motor vehicle manufacture has already dropped from 90,000 in the early 1970s to the current 70,000.

Australia, with a population of 15m and an annual car market of around 450,000 sales, has five motor vehicle manufacturers — GM-H, Ford, Mitsubishi (which took over Chrysler last year), Nissan and Toyota. Present policy guarantees these manufacturers 80 per cent of the local market.

The IAC is supported by the Treasury which has been urging reduced tariffs on economic grounds for years.

Australia is already experiencing a rising exchange rate because of the inflow of capital from overseas for resources development. Without a safety valve through increased imports, the Treasury argues, the Government's control of the money supply will become more difficult and inflation exacerbated.

In the end, the tariff question is political. Prime Minister Fraser has promised the electorate tax cuts which he must be in a position to deliver next year or early in 1983 before the election of that year.

Japanese challenge grows in W. Germany

BY KEVIN DONE IN FRANKFURT

JAPANESE automobile manufacturers are increasingly aiming their attack at the West German commercial vehicles sector.

The challenge follows two years of conquering more than 10 per cent of the West German car market.

It has appeared first in light commercial vehicles, but Mitsubishi announced this week that it is planning to launch a range of light trucks in the Federal Republic early next year as the first Japanese manufacturer to move into this segment of the market.

The absolute numbers are still small, but the gradual penetration of the Japanese into the commercial vehicles sector is likely to ensure that the rising trend of imports in this market continues.

Overall imports took nearly 17 per cent of West German commercial vehicle sales last year compared with 15.4 per cent in 1979 and only 2.5 per cent back in 1965.

According to figures from the West German Automobile Industry Federation the Japanese boosted their share of the West German commercial vehicles market to 3.9 per cent in the first seven months this year from 2.5 per cent during the whole of 1980.

In the first half of 1981 the Japanese sold about 3,000 commercial vehicles in West Germany compared with around 2,000 in the corresponding period last year.

In the car market the Japanese have accepted a self-restraint agreement under which their sales this year should not increase by more than 10 per cent over 1980. The Japanese share is 10.3 per cent of new car registrations this year.

The new trucks to be launched by Mitsubishi are in the class of 4.6 to 5.5 tonnes and will be powered by four-cylinder 3.3 litre diesel engines. The chassis and cabs will be imported from Japan while the bodies for platform trucks, tippers and box vans will be added in the Federal Republic.

Mitsubishi's importer, MMC Auto Deutschland, in which the Mitsubishi Corporation holds a 15 per cent shareholding, hopes to sell 500-800 of the new Canter truck range next year in West Germany following a successful launch in several other West European markets including the UK, Belgium and the Netherlands. The trucks will be sold by 200-250 of Mitsubishi's present network of 800 car dealers in West Germany.

In the next two to three years, Mitsubishi hopes to add a further truck series in the 3.5 tonnes class to its range in the Federal Republic, but it was unlikely to move into heavier trucks, it said.

The brunt of the Japanese challenge in the commercial vehicles sector—Toyota, Daihatsu and Mazda are also active in West Germany—in car-derived vans and light commercials has hit chiefly at the local markets of Volkswagen and to a lesser extent Daimler-Benz.

UK NEWS

Airbus plans submitted by British Aerospace

Michael Donne examines BAe's aims as half-year trading profits rise to £42.1m

BRITISH AEROSPACE, the partially denationalised aircraft, missile and space group, has submitted to the Government its plans for participation in the proposed A-320 150-seat version of the European Airbus.

These plans involve the corporation borrowing the money for its share of this venture on the commercial market—perhaps as much as £600m spread over several years—but it would need Government aid in meeting the interest payments on this until the A-320 was earning cash.

The A-320 is the third version of the Airbus in which British Aerospace seeks to become involved. It has a stake of 20 per cent in Airbus Industrie, the European consortium building both the 250-seat A-300 and the smaller 200-seat A-310. This investment alone is expected to amount to about £250m by 1984.

Plans for the smaller A-320 have been under discussion for many months and crystallised at the Paris Air Show in June when Airbus Industrie announced its intention to launch such an aircraft.

Since then the three partner companies—British Aerospace, Aerospatiale of France and Messerschmitt-Bolkow-Blohm of West Germany—with their Governments, have been considering the various options involved in working together on the A-320.

So far none of these has become firm. This is largely because of the costs involved—the total development bill for the aircraft could be as high as £1.8bn—and the need to seek as many partners as possible, including possibly the aircraft industries of Japan and Australia.

British Aerospace has put several options to the Government. One is for the group to undertake 30 per cent of the A-320, costing about £600m and involving development of the nose, the forward fuselage and the instrumentation, and undertaking final assembly (which could be done at Filton, near Bristol) and flight development.

Another is for a lesser amount of work, about 20 per cent, covering either wings and other items or perhaps the tail unit, and costing, in all about £400m.

In each case the investment would be spread through the 1980s, over as much as eight years or longer.

Sir Austin Pearce, British Aerospace chairman, makes it clear the group is not asking the Government for this kind of money.

British Aerospace would borrow the cash it needed from the commercial market (in the same way as it would expect to finance part of the investment from internal resources also). It would, however, need Government cash aid to cover the interest payments on those commercial loans, up to the time the A-320 began to earn money from sales.

This cash aid would start at a low level—none would be required in 1981—rising to a peak perhaps of about £70m a year by 1987-88. The aid would be recoverable by the Government through a levy on sales.

Sir Austin also makes clear, however, that without that kind of support British Aerospace could not afford to undertake any share of the A-320. "If the Government does not support us, we do not go," he said. "We cannot do it without Government aid."

Sir Austin also stresses that the group's ideas on the A-320 are still flexible. Its eventual share of the work depends not only on what the UK Government wants to do but also on what the French and West Germans want to do, both at company and government level.

"We all have our own ideas," he said, "and we have got to work them out over the next few months. I would hope that we might be in a position to go late this year or early next."

One reason for British Aerospace's interest in Government support on the A-320 is that the group is also now considering as a private venture a new military aircraft, the P-110, which would be a strike-fighter that could be both a replacement for the RAF Jaguar and a combat aircraft for foreign air forces.

British Aerospace is discussing possible collaboration on the venture with Middle East governments that have shown interest and is hoping some financial support may emerge from that region.

Design on the P-110, financed by BAe's own cash, is well advanced but no decision to build it has been taken. The venture if pushed ahead could cost perhaps as much at £1bn but could expect to sell substantially in the UK and overseas markets.

The accounts for British Aerospace issued yesterday show that it earned a trading profit of £42.1m in the first six months of 1981 to June 20, compared with £35.2m in the first six months of 1980.

Sales were also up, from £575m to £693m, of which about 60 per cent were in exports. The backlog of orders also rose, to about £5.5bn at mid-year.

The unaudited figures for the first half-year show net profit after tax and other items was up from £20.9m in the first half of 1980 to £27m.

Sir Austin Peace, commenting on the interim results yesterday, said: "We have had an encouraging first six months. Given a reasonable degree of stability the board is of the opinion profits for the full year could be a little higher than those indicated in the recent offer for sale (£85m before tax)."

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Lloyds to take stake in small companies

By Our Banking Correspondent

LLOYDS BANK is following the other big clearing banks and setting up a company to provide equity capital for small companies.

The company, Pegasus Holdings, will take stakes between 10 per cent and a third in unquoted companies. Individual investments will usually be in excess of £100,000 in companies with "sound track records or proven management".

The company will take a special interest in arranging equity finance for "management buy-outs" of sound businesses.

Mr Bob Hamilton, former manager of Lloyds Bank's Stock Exchange branch and a former manager of Lloyds Bank's business advisory service, has been made general manager of the new venture.

Traditionally, the clearing banks' involvement in providing equity finance has been limited to the operations of their affiliate, Finance for Industry. Recently they have started providing equity finance through their own ventures.

Midland Bank has the greatest involvement with half a dozen subsidiaries specialising in this sort of business in its Midland Bank Industrial Equity Holdings group of companies. Barclays set up Barclays Development Capital, as an arm of its merchant bank, in 1979 and National Westminster introduced its Capital Loan scheme in 1980.

Fresh statistical evidence shows end of sharp fall in output

BY DAVID MARSH

FURTHER EVIDENCE that the sharp fall in industrial output ended during the summer came from government figures published yesterday. There are, however, only tentative signs of any recovery.

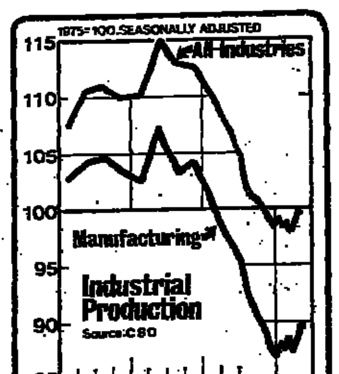
The Central Statistical Office (CSO) reported that all-industries output fell 0.2 per cent in July compared with June, seasonally adjusted, following a 1.5 per cent rise the previous month.

Production in July may have been adversely affected by factory shut-downs on the royal wedding day.

Although some companies working at low capacity would have made up lost output on other days, this may have led to a slight understatement of the underlying level of production during the month.

Giving credence to ministerial claims that the worst of the recession is over, the CSO said the figures showed that total industrial production, apart from oil and gas extraction, has "stabilised" in recent months.

Manufacturing production has increased marginally over the summer, with bigger gains in sectors like chemicals and metals which generally respond earlier to an improvement in the economy.



The North Sea oil and gas industry is still producing at below the record level of the first quarter, and output in construction has also continued to fall.

The CSO's seasonally adjusted all-industries index in July was 99.5 (average 1975=100). Its low point during the recession now seems to have occurred in May.

Comparing adjacent three month periods — which gives the best indication of the trend —output, including North Sea oil and gas, was 0.4 per cent lower in May to July than during the previous three months. Compared with May to July, 1980, the fall was 6.5 per cent.

Excluding the energy sector, output was unchanged in May to July compared with the previous three months and 8 per cent lower than in the same period of 1980.

The index of manufacturing production in July fell 0.1 per cent from June to 89.8 (1975=100) after a 2.2 per cent increase in June.

During the latest three-month period, manufacturing output has risen by 0.4 per cent compared with the previous three months. Output rose 3.8 per cent in the metals sector, 2.6 per cent in chemicals, and 1 per cent in engineering, but declined in food and consumer goods.

MR RALPH SPOONER of the Mines Rescue Station, Rotherham, who breeds the canaries used to detect deadly methane gas underground. The birds act as a safety back up for the mechanical gas detectors installed in the mines, writes Alex Skorecki.

On report of an "incident" they travel down in the glass cage to the danger zone. If overcome by fumes the effect is obvious enough—the birds usually fall off their perch. The cylinder above the cage contains oxygen.

The reason for using canaries as opposed to other types of bird seems to have become lost in the mists of time, although in the nineteenth century pairs of mice were used.

Two pension funds help raise capital for TV films

By Christine Moir

PRUDENTIAL ASSURANCE and the Post Office pension funds are backing a new company which will provide venture capital for the video and television film industry.

The company, United Media Finance, was launched yesterday with capital of £600,000 and £2.5m of loan stock.

The two institutions will own 37½ per cent apiece, and the remaining 25 per cent will be held by Branch Securities, the holding company for United Motion Pictures, a studio network which provides post-production facilities for TV and video programme makers.

Mr John Wright, chairman of Branch, will chair the new company. There will be also a number of non-executive directors chosen for their experience in television. They include Mr Michael Barratt, a former presenter of Nationwide, and Mr Peter Montagnon, co-producer of Lord Clarke's Civilisation series.

Yesterday Mr Barratt explained that "a lot of people would like to invest in this fast-growing industry—but the movie industry has a bad reputation. There are a lot of cowboys in it," he said.

The institutions did not want to become directly involved in financing films or video films. They wanted and needed professional advice, Mr Barratt said.

The new company had the expertise to assess potential investments in the field. It had already become one of the backers of a £4m television series, The Chinese.

Other opportunities were also being studied. These included a musical video production based in Europe, a 13-part adventure series suitable for both TV and video, four companies wanting to set up studio production facilities, and a proposal for a worldwide distribution network.

Mr Barratt stressed that the company would not restrict itself to programme making, although the birth of Channel 4 was "in everyone's mind."

Synthetic fuel may equal energy output of N. Sea oil by 1990

BY RAY DAFTER, ENERGY EDITOR

THE SYNTHETIC fuel industry could provide western nations with as much energy by 1990 as North Sea oil, a study by the International Energy Agency says.

By the turn of the century production of synthetic oil and gas may reach the equivalent of 5m to 11.6m barrels a day of crude oil, possibly as much as the present combined oil production of Saudi Arabia, Indonesia and Kuwait.

The estimates, which have yet to receive a full public airing, are the work of a high level group of energy officials set up by the IEA and the Organisation for Economic Co-operation and Development.

The group identified commercial scale projects such as unconventional crude oil from reserves of tar sands, heavy oils, oil shale, liquids from coal, gas from coal, fuels from plants and liquid fuels from natural gas.

In its report* the group says such technologies could produce the equivalent of 1.6m to 2.6m b/d of oil by 1990 "if present government policies are implemented and if certain constraints are removed." Liquid fuels would account for the bulk of this output in 1990.

Synthetic fuels could have a strategic importance for individual countries, even in 1990. More important, the report says, the production level would provide an industrial base for much faster growth in the 1990s.

It would be possible to expand synthetic fuels production to between 3.6m and 8.3m b/d of liquids; synthetic gas output could reach the equivalent of 1.4m and 3.3m b/d of oil. The liquids output alone in the year 2000 could be the equivalent of 23 to 52 per cent of 1980 oil production within OECD countries.

The study group thought it unlikely that funds or coal production levels would constrain the commercialisation of the technologies. But it pointed out that governments should recognise the problems of planning and building large expensive plants with long construction lead times. Priority should be given to reducing uncertainties arising from environmental regulatory procedures.

The report is not critical about the stance taken by individual governments—such as the Reagan Administration's decision to proceed much more cautiously with the Synthetic Fuels Programme or the Canadian Federal Government's commitment to relatively cheap domestic oil prices and preferences for Canadian companies.

Implied criticisms, in the form of recommendations, are contained in another recent IEA report**, which covers the energy programmes of member countries.

In its recommendations to the Reagan Administration, the IEA says the U.S. should maintain its "massive programme on synthetics." There was also need to "streamline environmental consent procedures, rationalise overlapping jurisdictions and minimise delays caused by judicial procedures."

Canada was urged to "take steps to increase domestic oil prices to world market levels" and to "do the utmost to ensure that the development of the oil sands and heavy oils programme is not delayed."

* "Report of the High Level Group for Energy Technology Commercialisation." IEA/OECD, Paris. ** "Energy Policies and Programmes of IEA Countries"; IEA, Paris.

Gambler 'bounced £2.7m in cheques'

DETAILS OF illegal credit allowed to gamblers at casinos operated by the Playboy Club were given at the hearing yesterday of Playboy's application for renewal of the gaming licences at the Playboy and Clermont Clubs in London.

Mr John Godfrey, a chartered accountant, told South Westminster licensing justices that when he investigated Playboy's accounts on behalf of the Gaming Board he found evidence of illegal credit having been given. One gambler had persistently "bounced" cheques but subsequently paid and enjoyed a period of credit.

A wealthy Arab had been allowed to write five cheques for £10,000 on one night, although he already owed Playboy £300,000 on cheques that had "bounced" the previous month.

Another customer had written 138 cheques totalling £2.7m, all of which "bounced." Another wrote 92 cheques, for a total of £686,000, which suffered a similar fate.

Renewal of the licences is opposed by the Metropolitan Police and the Gaming Board, which allege breaches of the Gaming Act at the two clubs.

Mr Clive Winston, an assistant solicitor to the police, said that the Ladbroke Group had presented the police and gaming board with a dossier containing statements detailing allegations about Playboy's operations.

Playboy had earlier objected to renewal of licences of London casinos operated by Ladup, Ladbroke's gaming arm, Mr Winston said.

The hearing continues.

Plan to modernise London Tube

BY LYNTON McLAIN, TRANSPORT CORRESPONDENT

THE Greater London Council is today expected to approve in principle a £60m, 10-year programme to modernise half the tube stations on the London Underground.

It is expected the initial programme will cost £9.5m. This will cover improvements to platforms and other passenger areas at Bond Street, Oxford Circus, Tottenham Court Road and Charing Cross stations, between January 1982 and 1986.

Mr Dave Wetzel, GLC transport committee chairman, said yesterday: "The newer parts of the Underground provide a first-class environment for passengers. Travelling on some of the older lines however can be a depressing experience. Grimy stations, cracked plaster and peeling paint do not exactly cheer you up on a wet Monday morning."

Because modernisation of a typical single-tube platform, including provision of new lights and tiles, cost £1m, the current programme is likely to make only limited progress across the total of 248 stations.

● Details of London Transport's plans for lower fares on the buses and tube trains from October 4 at an annual cost of £125m were published yesterday.

They include reintroduction of a 10-pence short-distance bus fare in London, the virtual halving of the cost of bus-passes and the halving of the present child-fare to 5 pence. Fares will be reduced on Sundays on buses and tube trains.

The plans for a 25 per cent average cut in fares will cost an extra £31m for the rest of this year. In a full year they are expected to attract an extra 150m passengers, 10 per cent more than at present.

Index-linked bond sales rise to £40m

SALES OF index-linked certificates last week totalled about £40m, the National Savings Department said yesterday. The certificates, previously restricted to those aged more than 50, were made available to all, irrespective of age from September 7.

Last week's figure is the first indication of the public response to this wider franchise. In the past couple of months weekly sales of index-linked certificates averaged about £20m but in the second week of April (immediately after the age limit was reduced from 60 to 50) a total of £54m in new money was invested in the bonds.

The Department was not prepared yesterday to read too much into last week's figures. It will wait to see a full month's results before drawing firm conclusions. The feeling is that many savers could wait until the end of the month before taking the plunge.

Stock Exchange 'should vet prospectuses'

BY CHRISTINE MOIR

A HOUSE OF LORDS committee has recommended that the Stock Exchange take on the statutory function of vetting the prospectuses of all companies which offer shares to the public, whether they seek a stock market listing or not.

The recommendation is made in a report by the Select Committee on the European Community, chaired by Lord Plowden, which has been studying a draft directive from the EEC on prospectuses for unlisted securities.

The EEC proposes that all companies which offer shares for sale should be required by law to publish a detailed prospectus which should be vetted by a "competent authority."

British company law already requires prospectuses, similar to those proposed by the EEC, to be registered with the Registrar of Companies.

Most companies which make offers for sale of their shares are seeking quotation on either the Stock Exchange's full list or on the new Unlisted Securities Market. Their prospectuses, therefore, are closely scrutinised by the Stock Exchange before the offer for sale.

A few companies, however, are not seeking listing and it is these which may pose a problem under the EEC proposals, the committee believes.

The committee points out that prospectuses for unlisted companies are lodged with the Registrar of Companies but the Registrar "does not evaluate" their contents.

The committee suggests that less than half the 250 prospectuses registered each year relate to unlisted companies. So the matter is neither necessary nor urgent.

However, the committee believes the EEC proposals should be adopted and a "competent authority" be found to vet the prospectuses.

Although the Stock Exchange does not favour the EEC directive, it has told the committee it "would be prepared to take on the task of vetting the extra prospectuses" of companies not seeking listing.

Garden fair for Liverpool docklands

BY RHYS DAVID

A MAJOR section of Liverpool's derelict water front is to be landscaped for Britain's first garden festival, to be held in 1984.

The site, close to the recently riot-torn district of Toxteth, will ultimately be turned over to housing an dfactories. But many exhibition amenities will be left in place.

The project, based on Continental city schemes to transform post-war damage, is expected to cost about £9.8m. It is being managed by the government-funded Merseyside Development Corporation with the co-operation of the two local authorities for the area, Merseyside County Council and Liverpool Corporation.

Building and staging the exhibition is expected to create a total of 500 jobs. Another 350 jobs will be generated serving the 3m visitors expected and a further 500 on site reclamation and road building.

The subsequent industrial and housing programme is estimated to result in 900 jobs. Full time employment in the factories when completed could be 4,000, according to the MDC.

The scheme is one of the first fruits of the visit by Mr Michael Heseltine, Government Secretary, to Liverpool last month in the wake of the riots.

The 250-acre site, on land formerly used for dock activity and oil storage, is due to be opened up by a new road. An existing promenade along the banks of the Mersey will be routed through the site to give a continuous walk through Liverpool's former south docks to the pierhead.

Extensive work has already taken place on devising landscaping and choosing the plants and shrubs which will grow most effectively on the site in the time available.

Prison trust condemns overlong sentences

TOO MANY people are sent to prison for too long, and the conditions in which they are kept are often a disgrace, *Sir Monty Finniston, chairman* of the newly-formed Prison Reform Trust, said yesterday.

The system of isolating prisoners from their families and friends reduced any chance of rehabilitation to a minimum, the former chairman of British Steel said.

As well as trying to interest the public in prisons, the new organisation hoped to involve those who work inside them. They often suffered the same social isolation and sordid conditions as the inmates.

The trust's first concern would be with overcrowding but Dr Stephen Shaw, director, said reform would be achieved only if widely-held misconceptions about the nature of the prison system were tackled....... ... ...

Furniture maker in swift recovery

BY JAMES McDONALD

F. AND M. DUCKER, the Rotherham, Yorkshire, bedding and furniture manufacturer, has made a remarkable recovery since August last year, when, at the company's request, the bank called in as receiver Mr Tony Richmond, a Leeds partner in Peat, Marwick, Mitchell and Co., chartered accountants.

Ducker is now trading normally after making a substantial profit over the last 12 months' operations, Mr Frank Ducker, managing director, said yesterday. The receiver has officially returned control of the company to Mr Ducker and his board and a new chairman, Mr R. C. Whalley, has joined the board.

The company makes pine beds and bunks at its Brinsworth factory. It has operated over the past year without making any of its 100-strong workforce redundant. Up to 20 new jobs are to be created as a direct result of the recovery.

The recovery, considering the furniture industry's depressed state and the general economic climate, was the result of "close teamwork

Building materials sales figures

THE SHARP rate of decline in building materials sales is still abating according to the Builders Merchants' Federation. Figures published yesterday show that building materials sales in July were 5.8 per cent lower than in the same month a year ago. Corresponding figures for May and June showed falls of 11.4 per cent and 6.1 per cent respectively. The Federation says building material sales fell by 16.1 per cent in the 12 months to the end of July 1981.

Government to publish plans on protection of computer data

BY JASON CRISP

THE GOVERNMENT is to publish a White Paper giving details of how it proposes to protect individuals from the misuse of information on them held in computers.

There have been urgent pleas for swift action from a number of areas including business, professional organisations and even government departments. But the Home Office has refused to say when legislation on data protection would be drawn up and a Bill introduced to Parliament.

Britain signed the Council of Europe convention on data protection in May. But it is behind a number of other Western countries, including the U.S., Canada, France, Sweden and West Germany, which have passed laws protecting their individuals from the misuse of information stored in computers.

In addition to the protests of medical authorities and civil liberties campaigners, companies are concerned that other countries will prevent data being transferred to the UK on the grounds it may be an unregulated data haven.

The first government report on computer privacy was conducted nine years ago, followed by a more detailed inquiry under Sir Norman Lindop which reported in December, 1978.

The Government has rejected the Lindop report's recommendation that an independent data protection committee should be given statutory control to safeguard privacy.

Mr Timothy Raison, Home Office Minister, told the British Medical Association's conference on data protection yesterday that the Government's object was to devise "a statutory scheme of personal data control which will enable us to ratify the Council of Europe convention."

The Government proposals were strongly criticised at the conference. Dr Michael Thomas, chairman of the BMA's central ethical committee, warned that nothing less than an independent authority would be acceptable to doctors.

"It will be seen to be disinterested and so have the confidence of all parties, and it will allow us to resolve our major dilemma — identifiable medical data will remain inaccessible for any purpose other than patient care, except where the authority adjudges that it should be released," he said.

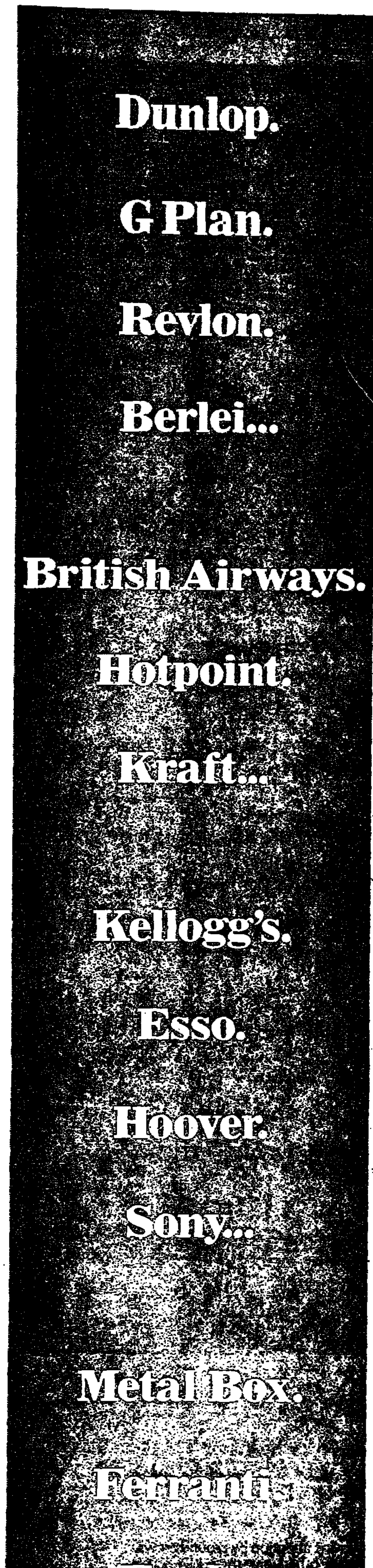
Sir Norman Lindop, who also spoke at the conference, pointed out that the Government proposed to give the Home Office the powers his committee had originally suggested should be given to an independent data protection authority.

He said: "With all due respect to the Home Office ... it can be hardly be held to be impartial and disinterested in the area of personal information.

"One only has to consider its special and direct responsibility for the Metropolitan Police and its overall concern with police matters generally, its involvement with immigration control, drug abuse, prison and probation services and their records, and its concern with matters of national security, to appreciate that the Home Office is necessarily deeply involved with some of the most sensitive areas of personal data collection and handling in the public sector.

"That it is this department which has over the years been given the task of formulating government policy on data protection may account for the very slow rate of progress towards legislation."

Mr Raison said the Government objections to an independent body, as proposed by Lindop, would result in a major extension in criminal law.



UK NEWS

CBI calls for £3bn to £5bn public services cuts

John Elliott on industry's look at government spending

SAVINGS of between £3bn and £5bn a year in Government expenditure should be made by cuts in public service manpower, pay and pensions, according to a report published yesterday by the Confederation of British Industry.

Further savings should be made by examining 25 other areas, for economies including rationalising the work of the Employment Department and its agencies, cutting Defence Ministry bureaucracy, and rationalising regional industrial development agencies.

Part of the major savings would come from a 10 per cent cut in the 4.2m-strong workforce of public services such as local authorities, the national health service, and other agencies. This would be done by recruiting only one person for every two employees leaving "non front line jobs." It would save £3.5bn in 1984-85, or about £2bn more than is implied by present Government plans.

A further £2.25bn to £3bn should be saved by adopting "more sensible arrangements for public service pensions and by correcting the substantial excess of public sector pay relative to that of the private sector." This would include cutting index-linked pensions and reviewing incremental pay scales.

The report says that further considerable savings are possible by making more use of commercial charging for services, and introducing other economies.

An initial target of £3bn savings should be set to allow for "unforeseen difficulties" that would emerge as the cuts programme swung into action.

The CBI wants the money saved to be used for capital projects such as the Channel tunnel, road building and sewer replacement. It estimates that the employment generated in productive industry would more than compensate for the 100,000 administrative jobs which would be lost.

Sir Ray Pennock, CBI president, said yesterday when he launched the report: "We are not just outsiders commenting — we pay the ruddy money."

The CBI which believes the Prime Minister has not pushed hard enough for cuts is calling on the Government to adopt a business-like approach to its spending. It says that private sector companies have been forced to adopt such an approach in order to survive the recession.

"The CBI and its member companies did not think 18 months ago that the sorts of cuts they have had to make in their organisations could be done without disrupting the service they provide," said Mr Malcolm MacAlpine, a director of Sir Robert MacAlpine and Son, who headed the working party which produced the report. But they had discovered that it was possible, and the Government should now do the same.

"The experience of private business shows that blunt instrument approaches are the only way in which the necessary rapid reductions in manpower and improvements in efficiency can be effected," says the report.

The report has been sent to the Prime Minister and Cabinet members. CBI members will be urged to discuss with their local councils how it can be implemented. It will also be examined by 45 regional liaison groups set up in the past few years by the CBI with local authorities.

Only two events clouded the launch of the report yesterday. The first was the resignation two months ago of Sir Leo Pliatzky, former senior civil servant, from the job of adviser to the CBI working party. He said he did not believe the CBI's approach to cutting Government spending was practical.

The second was a note of reservation added by Mr Terence Higgins, Conservative MP for Worthing, and a member of the working party. He said he believed that "further work" should be done before pension benefits were cut. He also wanted the CBI to develop more specific policy proposals.

On general economies the CBI wants: more services contracted to outside companies; more competitive tendering for contracts; a clear delineation of locally and nationally determined local council spending; more management cost information and management auditing; more detailed scrutiny of expenditure; and the encouragement of zero-based budgeting.

In an appendix to the report, 25 ideas are listed for savings put forward by its individual members which the CBI believes should be considered.

They include rationalising the employment, manpower and training services of the Employment Department, the Manpower Services Commission, industrial training boards, the careers service, and the Office of Manpower Economics.

There should also be "reduced bureaucracy in Ministry of Defence procurement." Procedures and contracts could be simplified according to several CBI members.

Merger or rationalisation of regional departments and development agencies—particularly in Scotland, Wales and Northern Ireland was also proposed.

Another idea is to charge "hotel fees" of £20 a week in hospitals to generate £250m a year.

"The CBI will offer its services to the Government or to any local authority to help find businessmen who can offer their experience to assist in achieving economies that will result in greater efficiency," says the report.

Report of the CBI Working Party on Government Expenditure. CBI, Centre Point, London, WC1. Price £5.

TI Raleigh to reduce workforce by 550

BY LORNE BARLING

TI RALEIGH Industries, the Nottingham bicycle manufacturer, yesterday announced that it would reduce its work force by 550.

It brings the jobs lost this year to more than 1,800. It will also close a services subsidiary and reorganise its administration.

The company, which accounts for around 70 per cent of British cycle production, has closed five factories in the past 12 months because of falling sales. It said yesterday there was little hope of immediate improvement in demand.

Around 400 staff employees in Nottingham will be made redundant almost immediately, as will 75 hourly paid workers, some existing vacancies will not be filled, workers were told yesterday.

The cuts were foreshadowed in the summer, by Mr Ian Philipps, then chairman of TI Raleigh. He has since resigned. He warned of substantial further cuts to offset the low utilisation of plant, which, until recently, had a capacity of 2m cycles a year.

This year the company will probably produce only about 1.4m cycles, of which around half will be exported. A high level of imports and sterling's strength have created problems.

The redundancies and other measures announced yesterday, such as a reorganisation of work methods, improved control over the supply of raw materials and the closure of TI Raleigh Services, are expected to save around £5m a year.

Mr Michael Boughton, new chairman, said yesterday that company administration was now being cut in relation to its reduced production capacity, which he hoped would now remain unchanged.

The responsibilities of TI Raleigh Services, which provided utilities and central services, would be handed back to the two operating companies, TI Raleigh and TI Sturmey Archer. Financial services would be handled by TI Raleigh Industries.

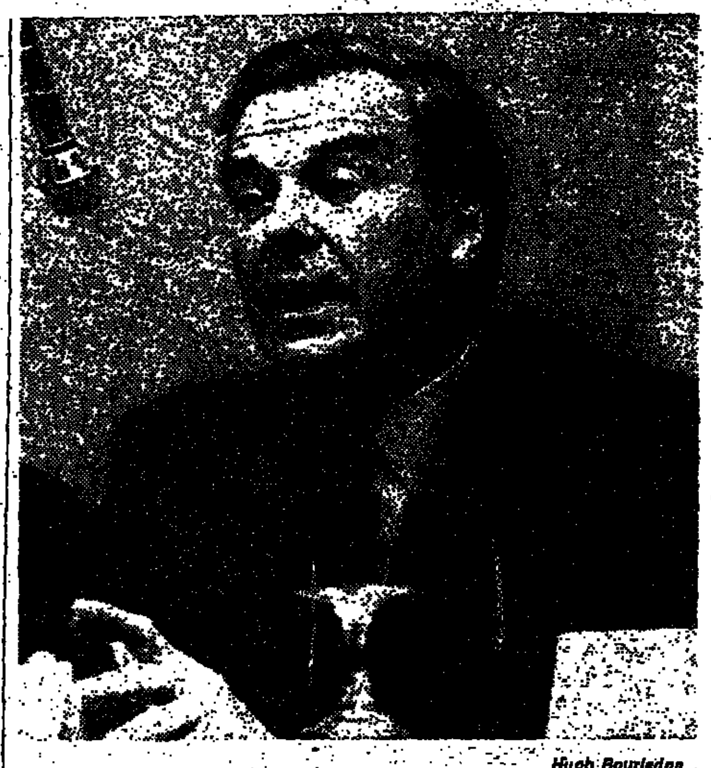
"All companies have procedures which are not of the slickest order, and we are trying to improve some of them," Mr Boughton said.

After poor demand earlier in the year, when much of the workforce was on a two-day week, production has increased sufficiently for a four-day week to be operated, but, aside from a small seasonal upturn in UK demand, the prospects for Raleigh remain bleak.

"We are not at all optimistic, but I think we can at least say that the worst is now over for Raleigh. With the introduction of new models and more competitive pricing, plus better penetration of European markets, sales should improve," Mr Boughton said.

He assured the workforce that there were no existing plans for further redundancies, but said there could be no certainty at a time of such poor demand.

● The 2,400 workers at the Norwich electrical engineering company of Laurence Scott and Electromotors may be on the bread line sooner than they think. Talks are already going on to make nearly 440 of them redundant, and now the company plans to cut out hot canteen meals and replace them with tea, rolls and sandwiches as an economy measure. Talks have yet to take place with the unions over the cold meals proposal.


Hugh Routledge

Sir Henry Marking

Datsun claim in advertisement is criticised

By James McDonald

THE ADVERTISING Standards Authority has upheld a complaint against Datsun.

The complaint arose from a press advertisement which claimed "the unarguable reliability of Datsun cars" and referred to an industry survey which found them "the most reliable cars on the road today."

The authority has asked Datsun for an assurance that "such sweeping claims would be omitted from future advertisements."

The authority, in its monthly summary of complaints, says that Datsun submitted research data to the authority to support the claims. "It was noted that the industry survey was based on data collected by means of a postal questionnaire sent to dealers and manufacturers

"A number of other independent surveys were examined and it was noted that the results varied considerably."

Laws on gas appliances may be made tighter

BY DAVID CHURCHILL

THE GOVERNMENT may introduce legislation to improve the standard of gas appliances and their installation.

The move is aimed at overcoming objections to the breaking up of the British Gas Corporation's dominance of gas appliance sales.

Consumer organisations and others have warned that forcing British Gas to withdraw from appliance-retailing could reduce safety standards in the market.

But Mrs Sally Oppenheim, Consumer Affairs Minister, said yesterday that the Government would not hesitate to use existing powers, or to introduce legislation, if necessary, to achieve comprehensive regulations on the safety of installations and on the standards of appliances sold.

She gave this assurance to a meeting of the National Gas Consumer Council which had prepared a statement for the Minister on gas safety standards.

Mrs Oppenheim said the Government was considering introduction of a statutory system of authorised gas installers. At present it was possible for gas appliances to be installed by unqualified fitters. "Cowboys do exist and do operate dangerously," she said.

She stressed to the council that the Government wanted British Gas to maintain some form of public contact points after it sold off its showrooms, to ensure there was convenient access for bill-paying, purchase of gas stamps and for complaints.

Hamleys claims to be world's biggest toyshop

HAMLEYS, THE Regent Street toy shop owned by Debenhams, is today opening a new toy department store which it claims will be the largest toy shop in the world.

The store is in the ex-Waring and Gillow's store adjacent to Hamleys' present shop in Regent Street. Hamleys has been in its previous premises for 75 years (it has been going as a toy shop for more than 221 years) but needed to expand from its cramped premises.

The new store has 35,000 sq ft of selling space spread over six floors. It cost £5.5m for Hamleys to acquire and a further £3.5m for modernisation and refurbishing.

Mr Kenneth Bishop, Hamleys chairman and a joint managing director of Debenhams, said yesterday that he hoped the new store would achieve a turnover of £12m next year, double the sales from Hamleys' old store.

Tourism chairman warns 'jobs could be at risk'

SIR HENRY MARKING, chairman of the British Tourist Authority has warned that jobs could be at risk if tourism does not grow in Britain, and is seeking aid, or at least concessions, from central government.

High on his list are treatment of service trades in the same way as industry, notably in building allowances, and an end to "ridiculous licensing rules" for drinking.

Presenting his annual report in London yesterday, Sir Henry predicted Britain could have 15m tourists a year by 1985, spending about £6bn annually.

Figures for the first half of 1981, however, showed that numbers of visitors have fallen by 11 per cent to 4.72m compared with 5.32m in the first half of 1980. Spending was down by 12 per cent.

"We estimate that the second half of this year should show better results than the first half and that overall in 1981, 12m overseas visitors will come to Britain, spending some £4bn, including fares paid to British air and sea carriers."

In its campaign to make Britain a better place for visitors the BTA is to raise two of its traditional complaints — over bureaux de change and licensing laws.

Bureaux de change are not required to advertise their commission rates. "We would like the matter to be looked at," said Sir Henry, suggesting that the Bank of England or the Office of Fair Trading might be suitable bodies to become involved.

Later this month the London Tourist Board is hosting a meeting of London's bureaux de change operators. Meanwhile, the BTA is telling visitors that the best commission rates are to be found at the clearing banks.

Texaco begins talks on fresh North Sea oilfield

BY RAY DAFTER, ENERGY EDITOR

TEXACO HAS begun "substantial discussions" with the Department of Energy about development plans for a new North Sea oil field.

But it is unlikely that formal development proposals for the un-named block 14/20 discovery will be submitted before uncertainties about future tax measures are clarified in the Budget

It is estimated in the industry that Texaco will spend between £100m and £200m on developing the small oil field, some 115 miles north-east of Aberdeen.

The U.S.-based oil company intends to use a semi-submersible floating production platform, similar to the systems used by British Petroleum in the Buchan Field and Hamilton Brothers on the Argyll discovery.

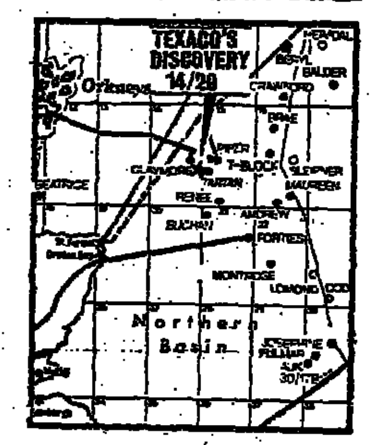
Texaco aims to link the production unit to its nearby Tartan Field platform through which oil from block 14/20 would be allowed to flow. The company said it expected to make minimal changes to the platform as oil from block 14/20 would not flow until the "first flush" of Tartan production was in decline.

It is understood that Texaco is hoping to begin production from the new discovery by 1985. This would require a commitment to a development programme next year.

Reserve estimates have not been published, although stockbrokers Wood Mackenzie believes that the reservoir could contain 30m barrels of oil. This would make the field one of the smallest ever exploited in the North Sea.

Texaco has described the reservoir size as promising.

Prospects for development were considerably enhanced by a successful well which was recently drilled in block 14/20. That well—the 14th to be drilled in the block—produced oil at an average rate of 4,526 b/d. It was the fourth successful well. The discovery well, drilled in 1976, tested oil at a rate of 3,000 b/d.



Offshore operators seek tax reforms

BY MARK MEREDITH, SCOTTISH CORRESPONDENT

MR NIGEL LAWSON, the new Energy Minister, is soon to receive proposals for tax reform from UK offshore operators who are concerned that punitive taxation is hindering development.

It was Mr Lawson in his previous job at the Treasury who dealt with applications from the oil industry to ease their tax burden.

Mr George Williams, director general of the UK Offshore Operators' Association, said yesterday that Mr Lawson had been "sympathetic" to their position in the past.

Mr Lawson will not take up the plans of his predecessor, Mr David Howell, to attend the Offshore Europe Oil technology exhibition this week

At the opening of the exhibition yesterday, Mr Williams called for tax reform as well as incentives for the industry

"We are worried that the present tax system, which has become less and less based on profit, will discourage exploration and development," he said.

UK operators were finalising proposals to put to the Government on taxation.

Mr Williams gave no details of the suggestions but the industry is expected to seek a two-tier tax system with one tax for highly productive fields and the other for more marginal developments.

Mr Williams said: "We are concerned with the offshore tax system which is now at the top end, over 90 per cent of profits." He was asked about the Government's withdrawal from the gas-gathering pipeline for the North Sea.

"It will lead to a better system, one more soundly based on commercial forces and commercial reality," he told reporters.

He added that, offshore developers faced problems of deeper water and smaller reservoirs of oil and gas in their future developments.

BSC wins £13m offshore project orders

BY OUR SCOTTISH CORRESPONDENT

BRITISH STEEL yesterday announced two contracts worth £13m for the supply of steel for offshore gas projects.

The larger contract is for nearly 28,000 tonnes of steel for the development of the Morecambe Bay field. The second contract covers the supply of 11,000 tonnes of plate for the Rough gas storage project.

The Morecambe Bay order was placed by Brown and Root Management Services. The field is owned and operated by Hydrocarbons Great Britain, which is a subsidiary of British Gas. British Steel is to supply 25,000 tonnes of plate and 2,000 tonnes of sections for the eight production platforms in the field. Also included is an order for 450 tonnes of stainless tubing.

An announcement at the Offshore Europe's Oil Technology Exhibition in Aberdeen said that a major part of the contract involved Redpath Engineering, a subsidiary of British Steel.

The order for the Rough gas storage project came from Constructors John Brown, an agent for Gas Council (Exploration), also a subsidiary of British Gas. The steel plate will be used for three jackets which will go into operation in 1984-85.

Mr Jim McKenzie, managing director of BSC Plates, said that the orders came at a time when British Steel was completing other contracts, such as the Mobil Beryl "B" and the Conoco tension leg platform. "The timing ensures that our mills will continue their present high levels of activity for the offshore market," he said.

Delivery of the steel for Morecambe Bay will be made to meet a development programme which envisages the first gas production in the winter of 1984. Plates for the contract would be rolled at the Dalzell, Clydebridge and Scunthorpe mills of BSC Plate which is also co-ordinating BSC involvement.

A terse statement winds up gas gathering scheme

BY OUR ENERGY EDITOR

A TERSE statement yesterday signalled the formal ending of the proposed £2.7bn North Sea gas gathering scheme which was until last week destined to be one of the most ambitious engineering projects ever undertaken in the UK.

The gas gathering organising committee, comprising British Gas Corporation, British Petroleum, and Mobil, met for the last time in London and said, simply: "It was decided to bring the work of the organising group to a close."

Within some sectors of industry, it was thought possible that the committee might remain in existence, at least for a few months. But the committee members—top executives of the represented companies—decided there was little point in carrying on. The meeting was chaired by Sir Denis Rooke, chairman of British Gas.

The Government last week called a halt to the project and made it plain that it expects the offshore oil and gas industry to make its own arrangements for collecting natural gas (methane) and gas liquids (raw materials for chemicals)

The proposed integrated gas gathering network was designed to collect 11 trillion (million, million) cubic feet of gas worth, at today's prices £25bn.

But the scheme collapsed when oil companies failed to inject sufficient private capital into the project. They were uneasy about the price British Gas would pay for the new supplies.

The three members of the organising group have invested, between them, £8m on initial design studies for the scheme. This investment will be written off although it is possible that each of the members will be able to make use of the information in any future pipeline schemes.

Mobil and BP are among North Sea oil companies likely to be involved in the development of "mini" gas gathering systems based on a small number of neighbouring fields.

British Gas has also received outline planning consent for the development of a new gas reception terminal adjacent to the existing terminal facilities at St. Fergus, near Peterhead, Scotland. It is possible that this site will be used in future for the reception of gas supplies

Congratulations from Nissan Motor Co., Ltd.

Tea Jar with design of Yoshinoyama. By Ninsei. Important Cultural Property.

In Japan, mention the word "flower" and immediately it calls up visions of cherry blossoms, which, in turn, quickly bring to mind Mount Yoshino, the famed site for viewing cherry blossoms located in Wakayama Prefecture. Extolled in poetry from ancient times, Mount Yoshino is one of the most well-known and beloved natural beauty sites in Japan.

This tea jar, a work of the potter Nonomura Ninsei who was active in the latter half of the 17th century, is a copy of the so-called "Luzon jars" with four ears that were imported into Japan from the Muromachi to Momoyama periods; these vessels, perhaps produced in south China, were highly prized as tea caddies. The white ground of the vessel is adorned with a gorgeous painting using, first, gold and silver as well as multi-coloured overglazes of red, blue and green. The scene depicts the glorious full-bloom of the cherry blossom in the deep receding mountains of Yoshino.

The cherry blossoms are depicted in very light peach colour. While this is how they would appear with the mountains covered in white clouds, this work employs bright colours. Judging from the rough, nonrealistic depiction of Mount Yoshino's cherry blossoms, the artist may have used a sketch by a "Sotatsu school" painter who followed the tradition of *the decorative Momoyama painters. Or, considering the* various uses of gold, the application of black dots seen on other works and the use of impasto on panel paintings, we might hypothesize the existence of a *makie* lacquer master for the actual application of the painting on the vessel.

In Kyoto, where Ninsei was active in the early Edo period, such kilns as Awata, Kiyomizu, Mizoro and Otowa turned out elegant blue-and-white and reddish-brown wares. But Ninsei is credited with establishing the technique of coloured overglaze decoration that led to the flourishing of so-called Kyo-yaki wares. Ninsei created elegant graceful designs and techniques seen neither in China nor in the works of other kilns in Japan. Ninsei, thus, stands as a master potter in early-modern Japanese ceramic history, a great artist who originated the epochal colourful overgalze decorated pottery.

THE GREAT JAPAN EXHIBITION

Art of the Edo Period 1600—1868

October 24, 1981 to February 21, 1982 The Royal Academy of Arts
(This exhibition will be closed from Dec. 21 to Dec. 27 inclusive.)

An exhibition, organised by the Royal Academy in partnership with the Japan Foundation, and sponsored by Midland Bank International in association with The Observer, Overseas Containers Limited, Pringle of Scotland, Shell Sekiyu and John Swire.

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UK NEWS—LIBERAL ASSEMBLY/POLITICS

Policy draft approved as delegates prepare for pact

BY IVOR OWEN

AS A PRELUDE to today's vote on an electoral alliance with the Social Democrats, the Liberal Assembly opened in Llandudno yesterday with a sustained attempt to assert the party's distinctive and separate identity.

Visions of a "Liberal-led Government" after the next election were repeatedly conjured up before the 1,700 delegates.

The importance of the occasion was underlined by Mr Richard Holme, the outgoing president, who described the Assembly as "the most historic" for decades.

Only one hand was raised in opposition when delegates were asked to show if they were generally in favour of the new draft programme—Foundations for the Future—which was published last week.

Mr Michael Steed, chairman of the working group which produced the draft, momentarily parted the waves of euphoria, warning against undue reliance on the unpopularity of Mrs Margaret Thatcher and Mr Tony Benn as a recipe for electoral success.

"Such a negative identity is no way tohold votes and build up support," he contended.

"To build up a stronger, enduring Liberal vote, we must build up the Liberal identity, persuade people of the rightness of the Liberal analysis and convert them to the importance of Liberal goals," he said.

Mr Steed emphasised the central importance of an incomes policy in the preparations which the Liberal Party was making for Government.

He argued that an incomes policy was more likely to succeed if it had formed part of the manifesto on which the Government was elected.

Mr Steed believed that an effective incomes policy was the instrument needed to control inflation on the one hand and to raise public expediture on the other in order to get Britain back to work.

He stressed that delegates were not being asked to give immediate approval to any specific element in the draft's programme.

Discussions on it would continue at all levels in the party over the coming months and the views expressed would be taken into account before a manifesto was framed for the next Liberal Assembly.

Mr Des Wilson, former director of Shelter, the housing charity, recalled that he joined the Liberals from Labour when there was no SDP alternative.

He insisted that the Liberals would have to be the "social conscience" in the alliance with the Social Democrats.

To cheers he declared: "This party has not waited in the wilderness all these years to abandon those who have waited with it."

Mr Wilson pressed for the allocation of resources to deprived inner city areas to be accorded priority, and reminded delegates that he was attacked in 1973 when he forecast that social conditions would lead to riots in inner cities.

"I warned that those riots will return," he said.

Mr Alan Watson, one of those who have built up the Liberal vote in Richmond-on-Thames, maintained that nothing should be allowed to stand in the way of the introduction of proportional representation as part of a constitutional reform package.

The inter-dependence of constitutional reform and economic recovery should be the cornerstone of the Liberal negotiating stance in the forthcoming talks with the SDP.

His nightmare was that a Government in which the Liberals played a major part might postpone the introduction of proportional representation in order to cope with a sterling crisis or some other daunting economic problem.

If this were to happen, he said, those who supported the alliance would have deluded themselves.

Mr Bernard Greaves, a member of the Liberal executive committee, praised the draft programme's commitment to the homosexual or "gay" minority—perhaps "the most unpopular minority of all."

Decision on electoral alliance must not be delayed, Steel says

FINANCIAL TIMES REPORTER

LIBERAL LEADER Mr David Steel, flanked by Social Democrat leaders Mrs Shirley Williams and Mr Roy Jenkins, told a packed fringe meeting at the Liberal Assembly in Llandudno last night that "there must be no delay" in forming an electoral alliance with the SDP.

"Let us be in no doubt where the rejoicing will be greatest if we leave this assembly uncertain or hesitant about our future," he said.

"It will be in Tory Central Office and the Labour Party headquarters. The Conservative Party's one hope is that we fluff our opportunity this week and fail to get an effective alliance together. That is also the Labour Party's deepest hope.

"We must not give them that satisfaction. That is why I believe we must make up our minds tomorrow. Any delay, any postponement, is the equivalent of failure, because unless we agree the basis of an alliance this week and start putting it together on the ground next week, we shall not get it together at all in adequate time for the next general election.

"Moreover, we will dash the hopes of millions of the public who are waiting to see the Liberal/SDP alliance emerge."

Mr Steel said Mrs Thatcher's reshuffle was bad news for the country as she "retreats into her bunker with the hard-faced men of the Tory Party."

"But it is good news for us. The need for an acceptable alternative Government is now clear to all."

Mrs Williams told the meeting that the alliance would require "mutual forbearance, understanding and trust." But in a comment that would have alarmed some Liberals she said: "It will also require us to get tough with individuals who refuse to recognise that there must be, on both sides, give and take.

"History will forgive us if circumstances prevent us from achieving all our objectives. But we will never be forgiven, nor should we be, if we allow struggles over personalities or the pursuit of advantage for one party over the other to deflect us from our purpose.

"We must not forget that purpose. It is nothing less than a new beginning for Britain and for our battered and unhappy world."

Mrs Williams said the sum of the two parties was greater than their parts. Both sets of supporters not only hoped to break the rigid mould of British party politics, but they were suddenly ablaze with the realisation that it could be done.

She lashed out at the failure of the Tory Government and the "shambles" of the Labour Party. The alliance had the heavy responsibility of offering an alternative.

"Of course each of us could go it alone, rejoicing in our sterile purity of doctrine, our unsullied isolation. You might win some seats and so might the SDP.

"But the British people will not long be impressed by marvellous policies that can never be implemented because divided, our parties lack the power to get them through Parliament."

Mr Jo Grimond, former Liberal leader, said an alliance "free from sectarian bitterness" was what Britain wanted. But although it could be an all-embracing party, the country did not want more of the same medicine but structural change.

Mr Grimond said that since the Warrington by-election, politics "seemed to have jerred out of the run of self-interest and back-biting."

He praised the courage of the Social Democrats. Their leaders could have "sloped off" to prestigious and lucrative jobs in the City or in universities but instead had come out to fight. "The British ignore exhortations and warnings. They just may, however, respond to example," Mr Grimond said.

Party must preserve its identity or be destroyed, Smith warns

BY ELINOR GOODMAN

MR CYRIL SMITH, Liberal MP for Richdale warned on the eve of today's crucial debate on the alliance with the SDP, that it could destroy the Liberals unless the party made a determined effort to retain its identity.

In sharp contrast to Mr David Steel, he urged Liberal candidates to stand if, they failed to reach agreement with the SDP locally despite all their efforts. Nevertheless, Mr Smith said he thought the alliance would work.

All along Mr Smith has been the most overtly critical Liberal MP about the alliance. He said he would be supporting the alliance—but only because it provided the best way of "smashing extremism and changing the electoral system."

He made it clear that he would create problems if Mr Steel tried to prolong the agreement after the next election. Any pact should only be for one election, and the Liberals should do all they could to avoid being swallowed by the alliance.

Mr Smith gave notice that he would oppose any moves by Mr Steel to disown Liberal candidates who insisted on standing against alliance candidates. He said it would clearly be foolish for Liberals and SDP candidates to fight each other when agreement could be reached, but the pattern "should emerge rather than be forced."

He was opposed to pressure from the centre on Liberals to withdraw when they believed it was better for them to stand. "I urge Liberals to stand where, after discussion and frankness, they feel they should stand."

His speech was indicative of the problems the alliance may encounter after it has been approved today when the two parties try to implement it on the ground. It followed an earlier challenge by Mr Smith to the Liberal leadership.

In a private session yesterday, he demanded to know what authority the Liberal's national executive committee thought it had for instructing local parties not to adopt any new candidates for six months. Mr Smith, who was supported by many of the delegates, complained that for the first time the Liberal executive had been trying to lay down the law "behind semi-closed doors."

He won an assurance from Mr Richard Holme, the party president, that there was no question of imposing a six-month moratorium on local parties. Mr Holme said the executive would merely ask local Liberals to obey the spirit of a moratorium to minimise the problems involved in sorting out which party should fight which seat.

Afterwards Mr Smith said that he was pleased with the assurance and that he intended to hold the executive to it.

Despite hostile comments which some Liberals have been making in Llandudno about the alliance, the Assembly is set to give its overwhelming support today. But delegates will be given the opportunity to strengthen the original motion.

The Association of Liberal Councillors is asking delegates to support an amendment which would reaffirm the separate identity of the Liberal Party.

Call for hard line with SDP

BY IVOR OWEN

RANK-AND-FILE Liberals called on their leaders at Llandudno yesterday to insist on entering the alliance with the Social Democrats as full partners and not as supplicants.

Mr Viv Bingham, the party's president-elect, set the "don't sell us short" theme. He warned that negotiations with the SDP must be "hard-headed and based on firm evidence" and not an indulgence in fantasy.

Mr Bingham maintained: "We must show that the best agreements are likely to come from hard bargaining, and never from false modesty or from overblown narrow-minded pride." He said the Liberal negotiators should not be concerned if they were accused of "giving too little and asking too much."

He declared: "We must proclaim that any relationship, any alliance to which a Liberal commits himself or commits his colleagues must always have, as its ultimate goal, the goal of Liberalism itself."

Mr Bingham reaffirmed his support for the rejection of nuclear weapons and urged the party to take a further step down the non-nuclear road by supporting a motion, to be debated tomorrow, calling for a campaign against the siting of Cruise missiles in Britain.

If this motion is approved, it also urges a European nuclear-free zone to be set up, which would be a big embarrassment to Mr David Steel and his colleagues in Parliament.

Mr Alan Beith, Liberal chief whip, has already hinted that an Assembly vote for a nuclear-free zone in Europe is likely to be ignored by Liberal MPs, who would continue to support Britain's Nato commitments.

Snipers take the battle honours

THE SDP-LIBERAL alliance may win the day in this morning's Great Debate, but yesterday it was the snipers who won the badge war.

The Liberals love badges in much the same way as Labour activists love composting. They don't just wear them singly, but in great clusters, and they treat them with a kind of creative pride.

Not content with the 80 or so off-the-peg models on sale, they make up their own slogans—often totally incomprehensible to anyone outside the Party.

Their children are smothered with them, and even the dogs get in on the act. Yesterday, three immaculately groomed animals were lounging near the entrance somewhat self-consciously sporting large, orange badges on their collars.

Badge-production is the main industry at Liberal conferences. Rival stands stamp them out to order in the jumble-sale like atmosphere in the outer halls of the Assembly, where earnest Liberals sell a mixture of electoral aids and apolitical junk donated by members.

Yesterday, the biggest producer of badges was the Liberator stand.

The best-sellers were the anti-SDP variety. Williams Washes Whiter was selling well, alongside I Am A Liberal, Not A Social Acrobat.

For the more militantly inclined, there was Radical Left-wing Extremist Immoderate Noncentre Liberal. The more sophisticated buyers were going for Don't Blame Me—I Voted for Pardoe.

The Liberator stand was running a competition for the best new slogan. Among the early favourites was an inplay on Jo Grimond's great rallying cry: Forward to the Sound of Gun Fire: Shoot the SDP.

The Liberator is the source of both some of the worst jokes at the assembly and some of the nastiest remarks about the SDP.

Its bulletin warns that the motion down for debate today would endorse an alliance based on nothing more than the "anti-sin position of the fresh-fart for Britain."

It has also included a number of topical SDP songs in the song book it produces each year for conference like The Soggy Democrat Poachers to be sung to the tune of the Lincolnshire Poacher, and the Pallid Pink Flag.

Elinor Goodman

Membership fees go up 400%

By Elinor Goodman

THE LIBERALS are to increase subscriptions from £1 to £5 next year. The rise was approved at a private session yesterday despite the opposition of a substantial minority of delegates, who argued that the party could undermine its chances of building up a mass membership.

The Assembly also approved a further 11 per cent increase in the affiliation fee which local parties pay to Liberal headquarters.

Even with the £4 increase, it will still cost less to join the Liberals than the SDP, which is asking its members for £9. The £5 subscription will only be a target figure and party treasurers will be free to waive the increase in special circumstances.

Even so, some Liberal activists believe that membership fees should not be a basic source of income, and that the party should raise money in other ways.

But the Liberals need the extra revenue badly if they are to go into the next election as equal partners with the SDP. Some Liberals fear that the party may be losing out as a result of the creation of the SDP, and new efforts are being made to get donations from companies.

The Liberals' balance sheet is considerably healthier than several other political parties. This year it looks like running a small deficit of around £9,000—but it has only small reserves. Mr Hugh Jones, the Liberal's general secretary, said the party was living on a "financial knife-edge."

He reported that despite the birth of the SDP, Liberal membership had continued to increase this year. According to the latest estimates, membership is more than 160,000 against 150,000 at the beginning of the year.

Steel 'turned down Jenkins'

MR ROY JENKINS tried to join the Liberal Party but was turned away by Mr David Steel because it did not suit his long-term strategy to realign the Left, Mr John Pardoe, the former Liberal MP, claimed last night.

Howe Treasury team reinforced

BY RICHARD EVANS, LOBBY EDITOR

MRS. THATCHER completed her list of Government changes yesterday with four more appointments, including the promotion of Mr Jock Bruce-Gardyne from the back benches to be Minister of State at the Treasury.

Mr Bruce-Gardyne, MP for Knutsford and a hard-line monetarist, has been a persisitent critic of any deviation by the Government from Right-wing policies, particularly financial support for loss-making nationalised industry.

His posting to the Treasury, with that of Mr Nicholas Ridley as Financial Secretary, means that Sir Geoffrey Howe's team will be reinforced in its determination not to be diverted off course.

The other changes show an attempt by the Prime Minister to maintain a balance between Left and Right in the junior ranks of her administration.

Mr Michael Alison transfers from Minister of State for Northern Ireland to become Minister of State for Employment under Mr Norman Tebbit. Mr Alison is a centre of the party Tory rather than a hawk. He becomes a Privy Councillor.

Mr William Waldegrave, one of the most promising back benchers on the left of the party, enters the Government as Parliamentary Under Secretary for Education and Science. He was on Mr Edward Heath's political staff in 1973-74 and before that was on the Central Policy Review Staff (think tank).

Terry Kirk

Mr Norman Tebbit, new Secretary of State for Employment (right) and Mr Leon Brittan, Chief Secretary to the Treasury, leave No 10 Downing Street after the first meeting of the new Cabinet.

It has always been assumed that Mr Waldegrave would enter the Government and probably attain high office. The question has been whether Mrs Thatcher could overlook his past close associations with Mr Heath.

Although he has been critical of some government policies since becoming MP for Bristol W in the last election, he has made her task easier in recent months by becoming less outspoken of the Government's economic policies.

The appointments of Mr Waldegrave and Mr Nicholas Scott is Parliamentary Under-Secretary to Mr Prior at the Northern Ireland Office give limited comfort to the "wets" of the Tory benches. But in general the reshuffle has pushed the Government firmly to the Right.

Mr John Wakeham, MP for Maldon, a chartered accountant and company director, is promoted from the Whip's Office to Parliamentary Under-Secretary for Industry. He replaces Mr Michael Marshall, who has resigned.

Mr Wakeham, aged 49, was picked for advancement by Mrs Thatcher in her January reshuffle when she promoted to be a senior Whip. The Whip's Office is one of her favourate routes of advancement. He is regarded as slightly Right of centre and showed a keen interest in advancing the interests of small businesses as a backbencher.

Ministers of state receive £19,775 and parliamentary under secretaries £15,100.

The new appointments are: Parliamentary Under Secretary, Education and Science, Mr William Waldegrave; Minister of State, Employment, Mr Michael Alison; Minister of State, Treasury, Mr Jock Bruce-Gardyne; Parliamentary Under Secretary for Industry, Mr John Wakeham.

Northern Ireland awaits changes as Prior flies in for briefings

BY OUR BELFAST CORRESPONDENT

MR JAMES PRIOR, the new Northern Ireland Secretary, flew to the province late yesterday to begin a series of briefings with his advisers, including discussions about the hunger strikes and the Maze prison near Belfast.

Politicians in the province were prepared to give Mr Prior the benefit of the doubt and to withhold judgment until they could discover whether he had brought with him any changes in government policy.

Party leaders expect early meetings with Mr Prior who will want to test opinion about the possibility, however remote, of political progress. The initial response of politicians, each of whom put forward their own particular demands, held out little hope that any new initiative might quickly be launched.

Mr Humphrey Atkins, only weeks before being replaced as Northern Ireland Secretary, was forced to drop plans for a Northern Ireland Advisory Council, which Downing Street had viewed as a possible way forward towards devolved powers for the province.

Mr Prior yesterday experienced the tight security which surrounds Ministers in Northern Ireland.

He was closely guarded on his journey to Stormont and will, from now on, be flanked by plain clothed police officers whether in Ulster or London.

His first duty was to consult advisers for up-to-date news on security, the hunger strikes, and local economic developments. He is expected to have early talks with the chief constable of the Royal Ulster Constabulary and the army commander in Northern Ireland.

Prior: briefings

The Rev Ian Paisley, leader of the Democratic Unionist Party, said: "I hope Mr Prior will put as his priority the defeat of the terrorists and return of democracy to Northern Ireland."

On the other side of the political fence, Mr John Hume, the Social Democratic and Labour Party leader, believed the appointment might indicate a change of Government attitude towards local political and economic problems.

Mr Hume's deputy, Mr Seamus Mallon, urged Mr Prior to seek an end to the hunger strikes in order to allow the political process to function properly.

However, Mr James Molyneaux, leader of the Official Unionist Party, said he was sure that the new Secretary of State would "stand firm against the IRA hunger strikes."

Mr Richard McAuley, chairman of Belfast's provisional Sinn Fein, political wing of the IRA, said: "British policy will no doubt remain the same and opposition to the British presence in Ireland will continue."

The CBI in Northern Ireland said it was of significance to the province that Mr Prior had retained his place on the Cabinet economic committee.

Mr John Freeman, Irish regional secretary of the transport workers union, was not hopeful of a change of policy and said Mr Prior was "far from the pro-trade union Conservative that he has been branded."

Meanwhile, the hunger strikers are reported to be considering legal action to prevent the families of strikers from intervening to save their lives

Four families have so far asked doctors to take action to save a hunger striker. The protesting prisoners are said to be seeking legal advice on the possibility of renouncing their next of kin and naming fellow prisoners as substitutes.

Another catastrophe, Foot says

FINANCIAL TIMES REPORTER

MR MICHAEL FOOT, leader of the Labour Party, heavily criticised Mrs Tatcher's reshuffle before boarding his plane at the head of a Party delegation to Moscow.

"Mrs Thatcher and her Government have put this country through the biggest industrial catastrophe the nation has ever known and now she is asking us to take another dose," he said.

"Sir Ian Gilmour has said she is heading for the rocks, but unfortunately the country is being taken on to the rocks with her. Never before did Britain so badly need a Labour Government."

Mr Foot (right) is accompanied on his Russian visit by Mr Denis Healey, deputy leader. The party also includes Mr Denzil Davies, front bench spokesman on foreign affairs, and Mr Iorn Evans, chairman of the parlikmentary Labour Party's foreign affairs group.

Mr John Grant, an Opposition spokesman on employment, said the appointment of Mr Norman Tebbit as Employment Secretary is "the clearest possible signal" that Mrs Thatcher is out for confrontation with the unions.

He said: "In a single stroke the Prime Minister has trapped and humiliated Jim Prior and has grasped personal control of the Employment Ministry by installing a puppet politician whose well-known abrasive, hardline approach will faithfully reflect just what she wants.

"It is the clearest possible signal to the unions that she is out for confrontation."

Mr Foot and Mr Healey about to board their flight to Moscow yesterday.

CBI chief welcomes reshuffle

By John Elliott, Industrial Editor

THE PROSPECT of the Cabinet "speaking with one voice" was welcomed yesterday by Sir Ray Pennock, president of the Confederation of British Industry.

He said he hoped that the change in the Cabinet after the reshuffle would mean more chance of the labour law reforms which CBI has been demanding being introduced.

"As a businessman, I am not going to be drawn into issues of personalities Sir Ray declared. But in a thinly disguised reference to the changes in the fortunes of Mr. James Prior, former Employment Secretary, and other "wets," he said: "If the Cabinet now speaks with one voice, it will presumably be stronger.

"The CBI view on changes in the law on issues like the closed shop are in line with public opinion. The closed shop is coming to be regarded as an infringement of personal liberty, and as such the CBI is reflecting the views of people in calling for stronger laws.

"If the Cabinet now speaks with one voice and listens in an undivided way, then they will see the need for changes."

Sir Ray also expressed the hope that there would be more chance of the public spending cuts which the CBI has been demanding being put into practice.

Joseph leaves for trade talks with Japan

By John Elliott

SIR KEITH Joseph left London yesterday for a visit to Japan and Hong Kong, fulfilling engagements arranged before he was switched from his job as Secretary for Industry to become Secretary for Education.

He will hold talks in Tokyo with economic and industrial ministers on technological ventures betwen Japan and the UK.

He will also address a British seminar aimed at attracting Japanese investment into the UK and a meeting of the British Chamber of Commerce.

These meetings will take place on Thursday and Friday. Sir Keith will then fly to Hong Kong, where a three-day visit planned to start next Monday will be cut back to one or two days.

Meanwhile, Mr Patrick Jenkin, the new Secretary for Industry, arrived at the department of Industry's headquarters yesterday and Sir Keith paid a brief visit to the Department of Education where he will take up his duties later next week.

Stevas warns of tougher line

THE THATCHER re-shuffle would mean a hardening of the monetarist line, Mr Norman St John-Stevas, former Leader of the Commons, said yesterday.

He thought that there was "a very strong need now, when so much of our industry is working at undercapacity, to increase demand moderately."

UK NEWS—LABOUR

Welfare states 'need surgery'

By Our Labour Editor

THE STRAINS imposed on the welfare state by slower economic growth and high unemployment are examined in a report published by the Organisation for Economic Co-operation and Development today.

The report warns that a clash between economic and social policies is "potentially dangerous."

"Lower growth means that we cannot avoid the need to remodel our social policies, whilst still ensuring the necessary minimum levels of protection which a modern industrialised democracy is bound to provide for its citizens," it says.

"It is not the axe which is needed, but some very skilful social surgery."

The report—The Welfare State in Crisis—is a summary of a conference last October in Paris, attended by ministers, administrators, academics and business and trade union leaders.

They considered whether the transfer of income by the state had gone as far as it could, whether people were turning away from the welfare state to the "welfare society" and whether full employment could remain a target when economic growth was decelerating.

●*The Welfare State in Crisis: OECD, Paris, 1981; available at OECD sales agents—in UK at HMSO.*

Unions warn of action over 4% cash limit

BY PHILIP BASSETT, LABOUR STAFF

TRADE UNION leaders said yesterday that the Government's announcement of a cash limit pay provision this year of 4 per cent, taken with this week's Cabinet reshuffle, was conclusive evidence that it was seeking a confrontation with the unions this winter.

Many were surprised at the timing of the announcement. Normally it comes in two months' time, when the rate support grant provision is fixed in late autumn.

Most warned that the anouncement would increase the likelihood of co-ordinated action against cash limits this winter by unions in the public services and public sector. The TUC's public services committee will examine the announcement at its next meeting on October 6. Meanwhile, union leaders pointed significantly to the final main motion of last week's TUC Congress in Blackpool.

The motion called for a common resistance to the Government's intentions in a more effective way than occurred in the 1980-81 pay round. A ction then was left to the civil service unions, although the settlement totheir 21-week dispute gives them some safeguards against yesterday's announcement.

Union leaders recognise that the spread of settlement dates in the public sector could be a weakness in any joint campaign, but unions are considering efforts to try to overcome this by seeking common pay dates.

Mr Alan Sapper, the new TUC chairman, said that the TUC would not accept diktats of this sort from this Government. The TUC would be encouraging individual unions to determine their own policies on pay.

Mr Geoffrey Drain, chairman of the TUC's public services committee, and general secretary of the National and Local Government Officers' Association, described the 4 per cent figure as "completely unacceptable. The trade unions will do their best to make it unworkable."

Mr David Basnett, chairman of the TUC's economic committee and general secretary of the General and Municipal Workers' Union, said: "The purpose of the Government's reshuffle is now obvious. The Government is going to legislate more harshly against the trade unions and at the same time reduce the living standards and the number of jobs of working people.

"They are seeking a confrontation with the trade unions. They are doing this to deflect attention from the failure of their economic policies."

Mr Alan Fisher, general secretary of the National Union of Public Employees, one of the largest public sector unions, said the 4 per cent figure was "malicious, misplaced and misconceived."

Mr Laurence Daly, general secretary of the National Union of Mineworkers, said the miners would "ignore" the call for increases of 4 per cent.

Mr Ken Thomas, chairman of the Council of Civil Service Unions, whose pledge of negotiations this year before the setting of a cash limit will apparently be unaffected by the announcement, said he hoped no public sector union would now make a claim, move or settle this winter without full consultation with the other unions.

Water workers in Wales to seek 25% pay rise

BY ROBIN REEVES

WELSH water workers have decided to press for a 25 per cent increase in basic wage to establish a £100 a week minimum in their next pay round.

The claim, which is due to take effect from January 1, was decided at a provisional conference in Newtown of NUPE, the public employees union, which represents the majority of water workers in Wales.

The meeting also demanded the introduction of a 35-hour week. This compares with 39 hours at present.

In the last pay round, a national water strike was narrowly averted through the award of a 14 per cent increase, well above the Government's public sector norm of 6 per cent.

However, the union said yesterday that the claim was justified since the last award had still proved insufficient to compensate for inflation and maintain living standards.

Liverpool dockers to decide on final offer

A MEETING of 3,500 Mersey dockers in Liverpool this morning will decide the fate of the port employers' "final" pay and productivity package after five months of negotiation

Mersey Docks shop stewards will meet beforehand to consider whether to make any recommendation. The employers have said there can be no further talks, but one or two moves seem possible.

Dockers could accept the package—although with bad grace because of the changes employers want in working practices—or, reject it for a second time. This would mean the possibility of a crippling strike.

To add to the critical situation Mersey Docks and Harbour Company, biggest employers on the river, will announce half yearly figures showing another substantial loss following last year's £6.25m deficit.

GMWU campaign

The General and Municipal Workers' Union yesterday decided to step up its campaign to improve involvement of ethnic minorities in the union. It is to hold regional conferences and to start campaigns in the workplace to identify where black and other minority workers are discriminated against.

Strike threat ends

A PLANNED one-day strike at BL's car assembly plant at Cowley, Oxford, in protest at an instruction to stop and check coloured workers at the factory gates has been called off. The instruction, given by the company's chief security officer at the plant, led to a major row. The security man was reprimanded by BL.

Day of action urged

THE UNIVERSITIES National Joint Union Committee, which plans to fight higher education cuts, has called on members of constituent unions to take part in a day of action on November 18. It will involve a lobby of Parliament and a rally.

Wage talks begin

UNIONS and employers in the clothing industry have started negotiations aimed at achieving the industry's first pay deal with a single settlement date.

Employers criticise seamen's claim

BY BRIAN GROOM, LABOUR STAFF

NEGOTIATORS for 28,000 merchant seamen yesterday presented British shippers with a pay and conditions claim which the employers estimated at 25-30 per cent. The General Council of British Shipping said it showed "an appalling lack of realism."

The National Union of Seamen is seeking a "major" but unquantified increase in basic pay. It is understood to be looking for a settlement at least in line with the rise of the cost of living, and possibly higher.

The union is also claiming an increase in annual leave of 18 days per year for every 12 months served, taking the current 72 days per 12 months served to 90.

It wants all overtime to be paid at time-and-a-half, the payment of what it calls a true overtime premium for all grades, and compensation for loss of earnings where overtime has been reduced.

The claim, which is for settlement on January 2, also seeks the updating of a series of supplementary payments, such as shore subsistence allowances and bonuses paid to men who work the North and Central American coastal routes.

Last year, the British shipping industry saw its worst period of industrial action since the 1966 seamen's strike as a result of a dispute on overtime rates.

It ended with an arbitration award which, when the final stage is implemented on January 1, means that all overtime except for the first two hours of each weekday is paid at time-and-a-half. Previously, it was paid at time-and-a-quarter.

This means that seamen's earnings will have increased by 16 per cent over the year to January 1, calculated on existing work patterns. But the union points out that the figure has been reduced by a fall in the amount of overtime.

The basic pay for an adult seaman is £70 a week for 40 hours. The average earnings of a foreign-going seaman work out at £136.47 a week while at sea and £91 while on leave.

Mr Roderick MacLeod, who is leading the negotiations for the General Council of British Shipping, told the union side that the industry had suffered a further loss of competitiveness. The position was worse than last year, when it was bad enough, and worse than at the time of the arbitration talks earlier this year. The short-term outlook was poor.

After the meeting the council said that the claim showed "an appalling lack of realism about the serious problems facing British and world shipping. If there is a way to drive more and more British ships off the seas, this is it."

The council is due to make its reply on November 3.

Drivers' claim may push Esso ahead in pay round

BY OUR LABOUR STAFF

ESSO may find itself in the forefront of this year's pay negotiations for tanker drivers in the oil industry, where many companies have a November settlement date.

Union negotiators may seek to reduce a differential which has arisen, leaving the pay of Esso drivers lower than those of companies such as BP and Shell. These have reached productivity deals during the past year. Esso has tried to achieve a productivity deal but its workers rejected an efficiency package in a ballot by two to one.

The company is understood to be considering a pay claim of about 20-25 per cent, along with a shorter working week, which the Transport and General Workers' Union is putting forward on behalf of Esso's nearly 1,800 tanker drivers and depot workers.

Last year most tanker drivers in the oil industry settled at about 14 per cent. This year the level of wage deals is likely to be influenced by an 11 per cent settlement which Mobil reached with its tanker drivers and ancillary workers in May.

The Mobil deal included a commitment to reduce the working week to 37½ hours by January 1983. The oil and chemical industries have seen a trend towards shorter hours.

Last year payandproductivity rates agreed by Mobil become targets for drivers in other oil companies.

Why company treasurers are playing a new game

David Marsh examines an unusual way of reducing companies' exposure to currency risks

WHEN THE swirling world of foreign exchange threatens to become too much of a worry, finance managers at around 400 companies all over Europe reach for their secret weapon—a set of multi-coloured plastic arrows laid out on a table-top. The whole thing looks like a cross between Solitaire and a particularly inscrutable jigsaw puzzle.

The arrows, boasting a magnetic rubber backing, can be pushed around on a specially-constructed board to help companies work out the best way of covering the foreign exchange exposure resulting from export and import transactions.

The desk-top game has been developed by Bank of America to teach corporate clients the complexities of planning and managing currency payments and receipts in order to minimise risks.

In volatile foreign exchange and credit markets, this is a skill that no corporate treasurer who wants to keep both his job and his sanity can afford to do without.

Because of the time that can elapse between contracts being agreed and payments being made—a gap which can run to years—deals involving foreign currencies can be seriously unhinged by exchange rate gyrations unless companies take appropriate precautions. The options include making a straightforward transaction on the forward foreign exchange market, or electing to borrow or lend currencies to bridge the gap up to the completion of the deal.

Following the ending of exchange controls in October 1979, which swept away all restrictions on UK residents' currency dealings, British companies in particular no longer have any excuse for not using the forward exchange markets to lower the uncertainties of selling and buying currencies.

Bank of America teaches company treasurers how to play the arrow game as part of week-long foreign exchange management courses it first launched in 1978. The bank has since taught about 600 companies worldwide, in places ranging from Bahrain to Malawi.

Manual

The courses, costing £950 per person (plus VAT), are arranged for small groups of no more than nine people.

After a week of intensive study into the means of protecting themselves against currency risk, participants take away with them the box of plastic pieces (complete with instruction manual).

When the occasion arises, they can juggle the arrows around to map out the different ways in which they can insulate their companies against unfavourable currency movements.

Stan Broderick, the head of treasury management services at Bank of America's London branch (headquarters for Europe, the Middle East and Africa) relates how participants during the week long session become dependent on the arrows. One particular company treasurer admitted on the Thursday of the course: "On Monday I was cursing these bloody things. Now I can't live without them."

It requires a few hours to learn the "arrow language," says Broderick. "But it's an investment. It teaches people to be precise and logical. Once the system is grasped, you can accelerate through foreign exchange at a very surprising pace."

There are four distinct strands in this decision-making process:

● Defining the company's exposure resulting from currency transactions. This requires a system whereby the treasurer can pool together payments and receipts due on future dates.

● Judging how the risk should be dealt with. The company may make a basic decision to cover its currency exposure completely so as to eliminate all risks. At the other extreme, it may elect to leave its positions entirely open in the hope of perhaps making large windfall profits (for instance when dollar income is due in six months' time and the treasurer feels the dollar will strengthen).

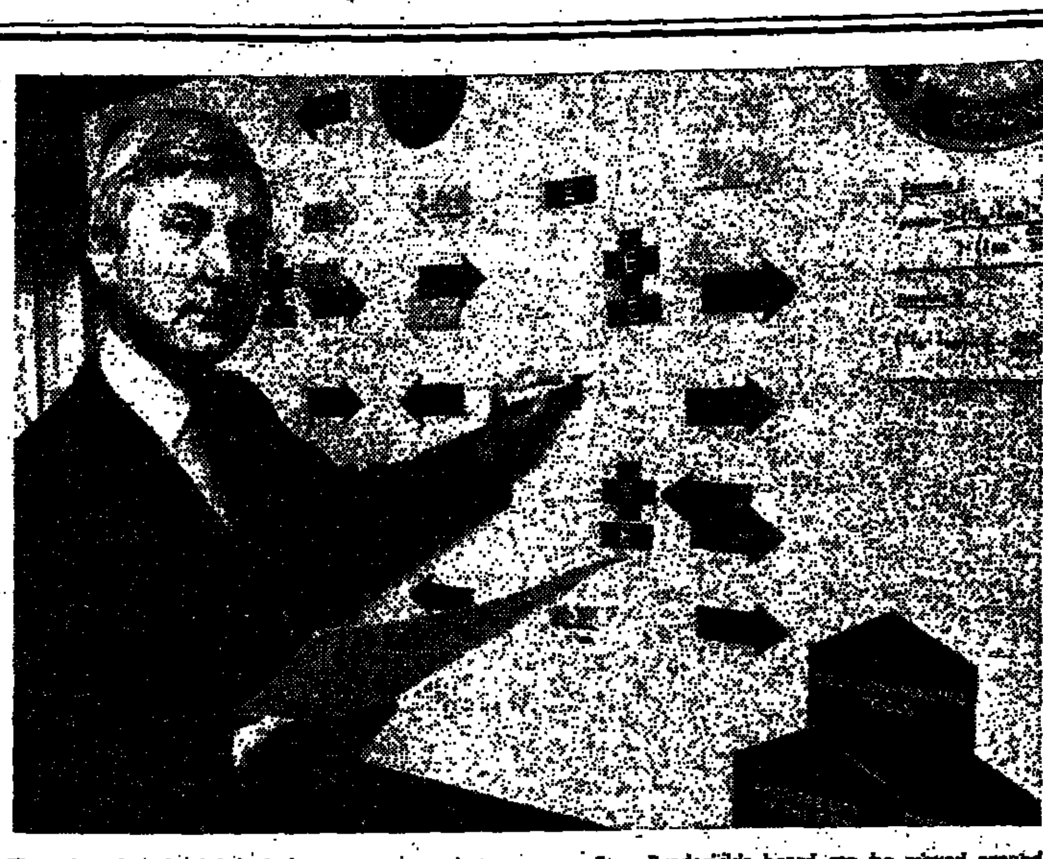
Companies which are tightly squeezed by the recession, and are concentrating on getting prices down and cutting costs, are more likely to adopt the former "defensive" position of covering everything, Broderick says.

● Surveying the options available to cover the risks. This is where the arrows may come in handy.

● Finally, action. The only tools needed here are sufficient knowledge of financial markets—which is what the course aims to teach.

Broderick says the course places emphasis on constant discussion. "A person only learns by getting himself involved. He doesn't want just to sit there listening to someone talking about foreign exchange.

"The aim at the end of the week is to leave clients self-sufficient in decision-making. I don't see any point in just giving them a manual if they can't make their own decisions."



The rules of Bank of America's arrows game: the arrows on Stan Broderick's board can be moved around to give a graphic representation of the various options for covering one's foreign exchange risk by buying, borrowing or lending currencies. Different currencies are indicated by different coloured arrows.

When an arrow points left, it represents money coming in, either by way of cash receipts or borrowings; when it points right, it stands for money going out, either as a payment or a loan. The arrows are positioned on the board in line with the date at which the transactions are to be made.

Take the example of a UK company trying to eliminate the foreign exchange risk in an export deal with a German customer. Payment in the form of a fixed sum of D-Marks is due in a year's time.

Using the latest information on interest and currency rates, a company treasurer can work out the cost of each of the options — and select the cheapest. The basic aim is to achieve a set conversion rate which will guarantee the company a fixed amount of sterling when the D-Mark payment is made.

OPTION 1: The company can cover the future receipt of D-Marks by borrowing for a year an equal amount of D-Marks on the Euromarket. The proceeds of the borrowing are immediately converted to sterling on the spotmarket, and the pounds invested for 12 months. Because UK interest rates are higher than West Germany's, this yields a profit at the end of the year, when the D-Mark loan is also repaid using proceeds from the export deal received.

OPTION 2: The company can go to a bank to arrange a forward currency contract in which D-Marks are sold forward against sterling for delivery in 12 months' time.

The bank works out the forward price by undertaking the same kind of borrowing and lending operation as in Option 1. But this time it invests the sterling proceeds on the higher-yielding Euromarket (to which the banks have easier access because of the large sums they deal in) rather than on the domestic market, yielding a profit marginally greater than that attained in Option 1.

OPTION 3: The company effectively raises a D-Mark loan from the customer by asking him to make his payment at once rather than after 12 months. To compensate, the customer is granted a discount.

The size of the discount depends on the investment income that the customer will forego by not being able to place the D-Marks on the German money market.

A steel company that 'thinks in terms of arrows'

THE HEADY rise of the pound last year saddled Johnson and Firth Brown, the Sheffield-based special steels and engineering group, with a burden as weighty as one of its best high-alloy billets.

The group made a £2.8m loss before tax during the six months up to the end of March, and has been forced to slim down its business to survive the recession. Even though export profits have been pared to the bone, the company has been able to take some of the uncertainty out of selling overseas by centralising its foreign exchange operations and making greater use of the financial markets to eliminate risks.

Bank of America's "Arrow" game is close to the heart of the new approach.

Anne Bramley, JFB's assistant treasurer, first heard about the arrows a year ago when she went on one of the bank's five-day courses in Manchester.

Her job is to supervise the dealing operations of JFB Exports—the company set up in 1978 to centralise the currency operations of those major companies in the JFB group with overseas sales.

"The object is to obtain the maximum volume of sterling for each amount of foreign currency income in the most cost efficient and speedy way—without taking risks," she says.

She says that the Bank of America techniques come in useful to plot the best ways of covering the exposure when the company wants to guarantee the sterling exchange rate for an export deal where the foreign currency proceeds are expected at a future date. "I now think in terms of arrows," she says.

JFB's basic philosophy at the moment is to eliminate completely foreign exchange risks by covering all future receipts using the forward currency markets or other techniques.

"We're not in business to trade in foreign exchange. There are more sensible ways of spending our time—and we want to sleep at night," says Bramley.

This means that the company loses the benefit of windfall profits when export proceeds are "locked in" at a relatively high exchange rate and the pound then falls—as it has done this year. But it also avoids the losses which would result if the rate moved the other way.

"It's a benefit to us to have the rate guaranteed—although if it's a level of $2.30 to the pound it certainly makes life tough."

Overseas sales accounted for £46m out of JFB's £289m turnover last year, with export invoicing split about equally between sterling and foreign currencies.

Bramley says that in tough competitive conditions, foreign customers are in a strong position to push to be invoiced in their own currency—and this increases the need to have a centralised system for coping with the resulting exposure.

Before the formation of the export company, each JFB subsidiary took its own decision whether or not to cover forward.

Up to the abandonment of exchange controls in October 1979, companies could take out forward cover only when the invoice for the sale was made out.

Pooling

Now all this has changed. Under the new centralised system, subsidiaries inform the export company of the timing and amount of future foreign currency receipts as soon as agreement on an export contract is reached. While exchange controls were still in force, companies were unable to cover the bridging period between an export deal being clinched and the invoice being made out. If exchange rates fluctuated significantly during this period a profitable contract could turn into a loss-making one.

The eight major exporters among JFB's 14 subsidiaries are at present included in the system, which will be extended to cover them all by the end of the year. By pooling together the foreign exchange exposures of the group's individual companies, JFB can pinpoint exactly the forward dates at which currency conversions are made. It can also save money by dealing in larger amounts—sometimes up to £250,000 or £500,000.

To keep subsidiaries in touch with the market, the export company telexes to each one a daily series of spot and forward rates against sterling for the major currencies.

Sales directors in JFB's subsidiaries use the information on forward rates to help them fix local currency prices for export deals. A sales manager on a business trip to the U.S. will take with him the rate sheet to keep abreast of the market rate for converting dollars into sterling at a future date.

Although JFB has opted for the basic decision of covering all its foreign exchange risks, Bramley explains that the company occasionally leaves some interest rate exposure uncovered to take account of shifts on credit markets.

For instance, she may opt to cover a future receipt of dollars due in six months' time by selling dollars not six, but only two, months forward. Effectively, she is hoping that U.S. interest rates fall somewhat during the next two months. This would narrow the premium that sterling at present enjoys against the dollar and allow a new forward contract to be taken out after two months at a more favourable dollar/sterling rate.

Using the arrow language (more often than not simply by working through it in her head), Bramley can also calculate whether a straight borrowing and lending operation in foreign currencies can be a more advantageous way of covering a future contract than using the forward market.

In operations like this, JFB and other similar companies are acting more and more like banks themselves rather than simply their customers. Bramley sums up the process of increasing sophistication like this: "It increases our confidence to know that we have the expertise in foreign exchange. Most bankers don't understand how difficult it is for people in industry who are not familiar with banking. It's difficult to come to grips with. But now we know what the banks are doing, it improves our personal relationships with them."

BUSINESS PROBLEMS

BY OUR LEGAL STAFF

Cheque safety

With reference to your replies regarding "cheque safety" July 8 and 15, (1) I was under the impression that the safest crossing (at least for the drawer) is: "not negotiable Account payee." Is this not really so? (2) Also I really do not follow what is meant by "the transferee can acquire no better title than the transferor possessed." Do you think we could have a definitive statement, written rather less succinctly?

(1) No: the crossing which you describe is the safest crossing which will not offend the clearing banks' own rulings—i.e. of a cheque drawn payable to a named person or order; but a crossed cheque made payable to the drawee only is the only complete safeguard in law—i.e. ignoring commercial practicality.

(2) The phrase in question only means that the transferee (i.e. the person to whom a cheque is endorsed) takes the cheque subject to any imperfections there may be in the title of the transferor (the person who endorses it) and does not automatically get a title which is good against the whole world.

Self-employed pension

I refer to your reply to the question under the heading "Self-employed pension" in your issue of June 17. Could you advise as to whether the 10 years' service to which you refer in the second paragraph has to be continuous or whether a break in service is permitted?

In calculating maximum approvable benefits service normally means continuous service. This would rule out aggregation of say five years with employer A followed by five years with employer B followed by five years with employer A so as to give 10 years in all with employer A. There may be specific cases of breaks in service on account of, say, ill-health, accident, industrial disputes, etc., where service though "technically" broken might be treated as continuous. Normally the final employer would be advised to submit any case to the Superannuation Funds Office of the Inland Revenue where maximum approvable benefits were to depend upon broken service.

FINANCIAL TIMES SURVEY

Wednesday September 16 1981

PORTUGUESE INDUSTRY

The country's industry remains concentrated in a limited number of labour-intensive sectors and the Government is still trying to adjust its economic policies to achieve real EEC partnership.

Back to the drawing board

BY ROBERT GRAHAM

PORTUGAL has just acquired its 14th government since the revolution of 1974. Such government changes could be excused because of the confusion created by the revolution in its lurch to the Left then gradual swing back to the Centre, and now even to the Right. But latterly, government instability has owed far more to personal intrigue and petty ambition than ideological differences and affairs of state.

The latest change, for instance, was produced by a shrill campaign to undermine Sr Francisco Pinto Balsemao, the Prime Minister, less than six months after the loose Centre-Right coalition Alianca Democratica (AD) had endorsed him to succeed the late Sr Francisco sa Carneiro, tragically killed last December in a plane crash.

Sr Balsemao was accused of betraying the electoral pledges of Sr sa Carneiro and vacillating before President Eanes. Yet behind this was little more than a crude desire to replace Sr Balsemao, without any thought of the disruption this might cause and without any clear alternative in mind.

By resigning in August, so exposing the poverty of his opponents, Sr Balsemao has manoeuvred cleverly, consolidating his position by gaining a new vote of confidence from his Social Democrat Party and solid support from the President.

And by effectively provoking a crisis Sr Balsemao has cleared the air and made it easier to sustain a full four-year term for the alliance, which after all was what the long-suffering electorate voted for last October. This at least is the optimistic scenario and one that Sr Balsemao would like to envisage. Yet politicking seems so deep-rooted and the national interest usually so far removed from the politicians' minds that already there is talk of the inherent contraditions inside the three parties forcing President Eanes to call early elections—perhaps next spring.

During the swearing in of the new government on September 4, the President gave a grim warning to the alliance to straighten their affairs on pain of being rejected by the electorate.

The conclusion from all this as regards economic development is not an encouraging one. Politicking takes first place. The latest crisis occurred just when it seemed that the government was beginning to tackle the economy in earnest. The forecasts and four-year strategic plan drawn up at the beginning of the year were being carefully re-examined, and the first of a series of belt-tightening measures had been introduced in July to cope with rising inflation.

Now, in a sense the new government goes back to the drawing board. The recent sharp increase in the value of the dollar, combined with continuing uncertain effects from a serious drought and an inflation rate a good deal worse than officially admitted in July (between 22 and 24 per cent) inevitably will force a new policy adjustment. It also increases the likelihood of tough negotiations with the IMF for a new medium-term loan of about $1.2bn.

Stimulated

Earlier, the Portuguese hoped to talk to the IMF with a degree of strength. The basic difficulty that the Portuguese face in economic policy stems from the country's relative backwardness to the rest of Europe. Growth is to reach a minimum acceptable level for proper partnership in the EEC. Yet stimulating growth in a country without major natural resources and deeply dependent on costly energy imports is not easy.

In the case of industry, which accounts for 44 per cent of GDP, growth since the revolution has been sluggish. It has averaged under 3 per cent a year since 1974 and this year there are signs of some stagnation in orders. Export markets essentially in the EEC have been affected by recession and at home activity has been influenced by the uncertainties of policy in the wake of last year's highly-electoralist raising of subsidies, by price controls and high wage increases.

The true state of industry is hard to gauge since the statistics are poor and there is a fast-expanding "black" economy—especially in the vital construction sector and in such key areas as textile production. This black economy is being stimulated by higher personal taxes and a shortage of skilled labour.

Portuguese industry is based upon low and intermediate technology, more than 80 per cent foreign, and, along with Greece, it is the least developed in Europe. It remains concentrated in a limited number of labour-intensive sectors and is run largely by small-sized family companies.

Textiles, shoes and leather, woodwork, cork and ceramics account for over half of industrial production. These traditional industries face a major challenge in coming to terms with the country's accession to the EEC and the full extent of this challenge does not yet seem to have been digested. A recent survey carried out by the Portuguese industrialists' federation, CIP, revealed that 81 per cent of those polled considered EEC membership to be good for the country and only 5 per cent said it would be bad.

On the question whether it would be good for industrialists and businessmen, 61 per cent responded affirmatively and 14 per cent negatively. Dr Pedro Ferraz da Costa, newly-elected president of CIP, says: "It worries me that people have such an optimistic view of the EEC when we will have to make such formidable adjustments."

He points out that wages may be low but so is productivity. Portugal's wages are 33 per cent lower than in neighbouring Spain for instance. Computivity cannot be sustained by low wages indefinitely—nor too can the myriad of tiny family-run companies exist indefinitely in their present fragmented form. Besides, the lack of diversification makes the industrial base vulnerable when the economy is liberalised.

Textiles provide 40 per cent of industrial production and employ just under 14 per cent of the industrial workforce. Worldwide this is an industry under enormous pressure and one of the most sensitive in the

CONTINUED ON NEXT PAGE

Trevor Humphries

Loading bathroom ware for export in the docks at Lisbon. Ceramics is one of the handful of industries which together account for more than half of Portugal's industrial production.

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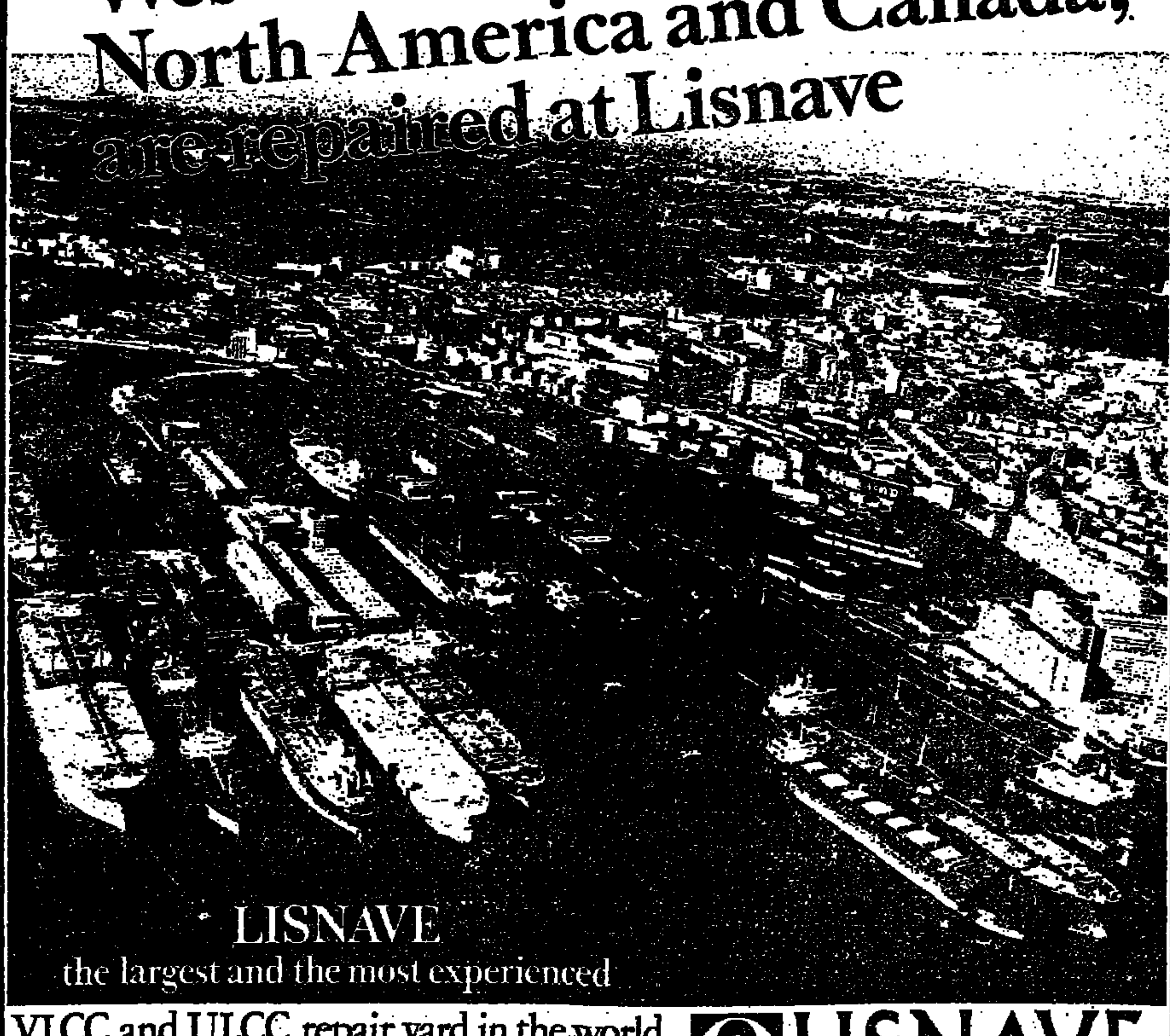
Paper and pulp	IV	Wine	VI
Textiles	IV		



PORTUGAL: AN INDUSTRIAL STRATEGY FOR THE EIGHTIES

Portugal is a country in the throes of a process of transition and economic adjustment—a process within a process, that of world development—and since the start of this decade has been *striving to make a clear, long-lasting definition* of its options as regards economic development.

The need to define coincides, in this case, with the political opportuneness of doing so: for the first time for several years, Portugal has a government with a long enough horizon of administration and the necessary parliamentary backing to conceive a medium-term economic plan, get it approved and apply it.

It is, of course, in industry that strategic options provide most scope, and it is also in this area that they are more problematic.

The realities that form the basis for such options are fairly well known, and may be summed up as follows:

—with high rates of growth—about 10% a year in the sixties and beginning of the seventies—the industrial sector has been the driving force behind the country's economic development;

—in *quantitative terms*, the relative dimension of Portugal's industry is significant: it contributes about 40% of the GNP, occupies 35% of the active population and accounts for 85% of the exports. A mere consideration of these indicators would put Portugal at a level of industrialisation that is close to most of the developed countries, including those of the EEC, of which Portugal wishes to become a member;

—qualitatively, however, Portuguese industry is not as significant as its quantitative importance suggests. On one hand, the structure of the transformer industries shows a considerable imbalance in favour of labour-intensive industries that use technologies that are not advanced.

On the other hand, the structure of industry shows an excessive preponderance of very small, small and medium firms: only 326 industrial firms (less than 1%) employ more than 400 workers, while 50% employ less than 10 workers.

—naturally productivity is low: the proportion is about 1:4 in comparison with Federal Germany and a little less unfavourable in relation to the other EEC countries. And although there is no doubt that wage differences more than make up for the difference in output—thus ensuring the competitiveness of Portuguese products abroad—it is quite certain that any future strategy cannot be based on this advantage owing to competition, particularly as regards low-quality production, from the developing countries as a whole, with their lower wage levels;

—as regards energy, Portugal's economy in general, and industry in particular, are highly dependent on oil as a primary source of energy (oil accounts for about 80% of the total primary energy consumption). This oil comes entirely from abroad (efforts to find petroleum in Portugal, notwithstanding some promising geological pointers, have so far not produced any significant result), with the greatest inconvenience that this involves for the economy—an increasingly high risk of interrupted supplies and a considerable burden in the balance of payments.

The Minister of Industry and Energy, Mr Bayão Horta, has since the beginning of the year—made several public statements that have been mainly intended to trace the guidelines he has in mind for the work to be done by his Ministry, and to motivate the various economic agents concerned. The document covering the Major Guidelines of the Medium-Term Plan (1981-84), recently presented by the Government and approved by Parliament, incorporates for the industrial sector *the basic points of the themes that Minister Bayão Horta* has been putting forward.

Broadly speaking the Minister begins with the following premise: the classical model of industrial growth is by now, on an international level, becoming worn out, while at the same time the model for future development may be discerned in its fundamental aspects. Consequently, the forthcoming strategic proposal will consist not so much of completing Portugal's industrial structure in the classical moulds, as of trying as soon as possible to direct the evolution of industrial activity in accordance with the pattern of development that will presumably prevail in the next few decades.

Establishment and progressive absorption of the classical model of industrial development in Portugal had to cope with serious handicaps that have only partly been overcome. For instance, the demand for a consumer market of large dimensions—either at home or geographically accessible—the availability of an abundance of the main mineral and power-producing raw materials, the existence of a go-ahead financial market on a scale that is adequate for the vast needs of *investment in capital-intensive industries*, the demand for a steady, intensified effort in research and development activities, etc., all of these basic requirements for that pattern of industrialisation could hardly be met by Portuguese economy and society.

The model that is now beginning to take shape, on the other hand, seems far better suited to the nature and quantity of the potential and real resources that the country has, both as regards manpower, whose adaptability and capacity for *learning make up for eventual lack of skills*, and as regards certain raw materials (particularly non-metallic minerals) that it is recognised may later be of great importance in the manufacture of new products.

It is in this context that are inserted the industrial policy priorities announced by Mr Bayão Horta, and they all converge in the aim of introducing into the productive apparatus a profound structural and technological modernisation with a view to Portugal's forthcoming membership of the Common Market. These priorities can be summed up as follows:

1. Exploitation, with optimisation of the national value added, of all of the country's natural resources.

This involves not only going ahead with investments already *under way in order to develop and take suitable advantage of minerals* that exist in a considerable quantity (the most classic examples are iron ore, pyrites and wolfram), but also to begin applying new technologies to other natural resources (cork, non-metallic minerals, diatomite, etc.) with a view to manufacturing new and more valuable products.

2. Qualitative evolution, without significant expansion, of the traditional transformer industries in order to preserve their competitive strength (defensive strategy).

In this area, *which includes such industries as textiles*, clothing, leather and footwear, furniture, etc., the investment effort needs to be channelled to improving quality (both of the product and of entrepreneurial management), rather than to expansion investment.

3. *Intense qualitative, and also expansionist development* of those industries in which the country already has some technology of its own, and in which the comparative advantages are stable and even capable of being extended (aggressive strategy).

In this area the aim is to *develop those industries that* produce equipment goods in general—in which in certain cases there is already some technological autonomy, namely in mechanical equipment and light electrical equipment—and also to develop engineering and technical design activities.

4. Creation of a nucleus of carefully selected advanced technologies, with a view to a future increase in Portuguese technological autonomy.

This is par excellence an area of innovation, calling for a careful coordination of research effort in industry and the university, and an area in which the few advances achieved by the more highly developed countries do not place Portugal in a situation of backwardness that cannot be caught up with. The aim is principally to create and develop technologies, for example in the fields of light, resistant materials, compound materials, semi-conductors, electronics, etc.

Implementation of these strategies will have as its principal agent the Portuguese entrepreneurial class, although an important contribution may also naturally be made—and is in fact essential in some of the areas defined—by foreign investment.

With a view to creating a propitious atmosphere for private investment, a vast set of legislative standards is therefore in an advanced stage of preparation, and it is this that will provide the juridicial and administrative background for industrial activity in the next few years. Apart from various normative laws dealing with different sectors of strategic importance, in which will be reflected the guidelines of industrial policy that have been mentioned, of special interest is the new Industry Bill that will shortly be presented to Parliament, and also the preparation of a Medium- and Long-Term National Energy Plan whose *fundamental purpose is to guarantee the country's power supply* in terms that can take care of its growing needs.

With a strategy in hand and the essential means for putting it into effect, Portuguese industry at the start of this decade has excellent prospects for carrying out the task established for it: to provide a *decisive contribution towards making* the standard of living of the Portuguese more in line with that of other more developed countries.

Ministério da Indústria e Energia, Gabinete de Estudos e Planeamento
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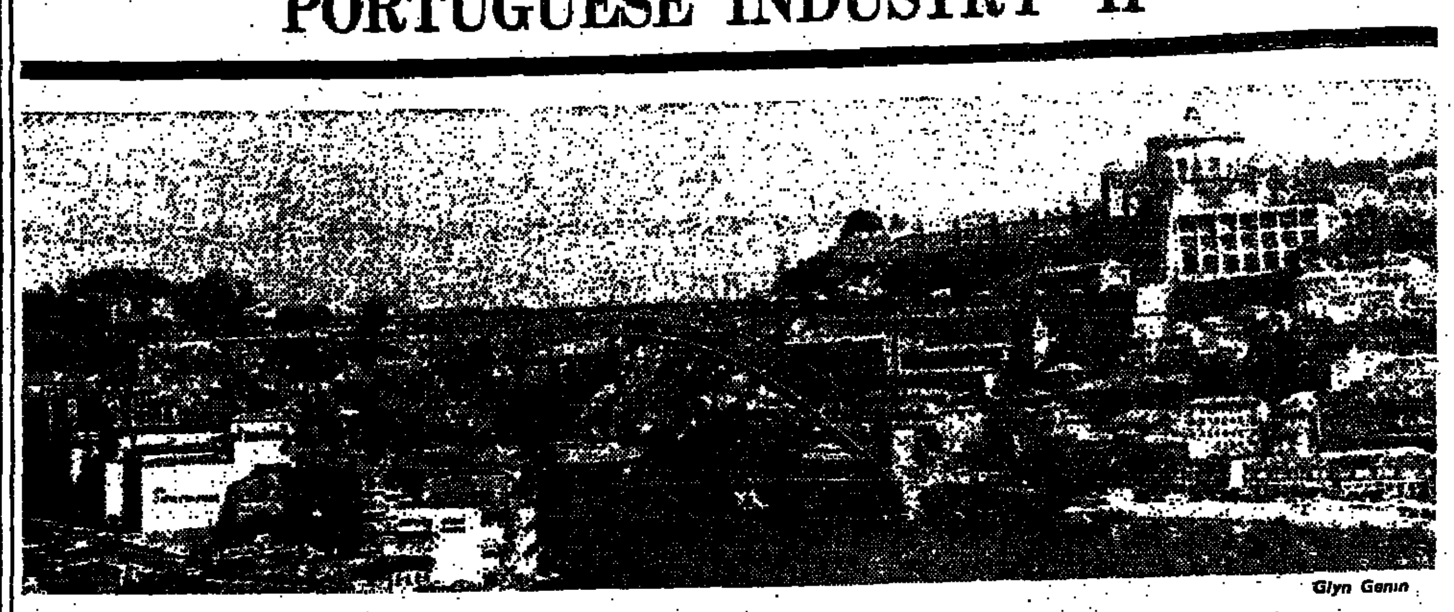
PORTUGUESE INDUSTRY II



Glyn Genin

Oporto, the city at the mouth of the Douro valley which is the capital of the port wine producing region

Fatalistic attitude to the lack of diversification

ALMOST without prompting, the Portuguese talk about their industry with disarming, and often fatalistic candour.

"We are halfway between the advanced industrial countries of the EEC and the developing countries of the Third World," they say.

This statement almost invariably precedes any comment on Portuguese industry. Indeed, the industrial structure does not fit easily into any pattern.

Apart from Greece, Portugal has the lowest proportion of population actively engaged in industry of any European country, and it rates with Greece as being the least industrialised country in Europe.

Only 33 per cent of the population is employed in industry, and despite faster economic development over the past decade, industry still absorbs surplus rural labour slowly.

The traditional outlet for such excess labour in recent years has been emigration—an outlet which has incidentally been too convenient, thus softening the authorities' awareness of the need to rely more on manufacturing and the service trades.

The industrial structure itself has five main characteristics—a high concentration of production in limited activities, production that is largely labour intensive, a near-total absence of large companies or groups, a low level of productivity, and a substantial dependence on imported technology.

All these characteristics are largely complementary and inter-related, reflecting the lack of industrial development. Perhaps the most notable of these features is still the lack of diversification.

Industrial activity is heavily geared to textiles. Portuguese textile production accounts for almost 40 per cent of total industrial output and provides 30 per cent of total exports. If clothing, shoe-making and furniture-making are included, about 50 per cent of industrial production is accounted for.

This concentration of activity is not exclusive to industry but extends to agriculture, where some 250,000 workers or 20 per cent of the active farm labour force are engaged in wine production.

As a corollary to this phenomenon in industry, a relatively small proportion of activity is concerned with basic sectors like steel, engineering and capital goods manufacture. Neither is there much development of such sectors as automotive manufacture and assembly. The major exception is shipbuilding.

Energy consumption therefore remains low in Portugal—only half that of neighbouring Spain.

Steel consumption per capita is only 138 kg per annum. The explanation is simple. With a small population, the domestic market offers no economies of scale, the level of industrial investment has been low, and natural resources—especially primary energy—scarce.

In this context it is worth *mentioning that basic industry* in Spain was developed in the Basque country, where there were raw materials and abundant supplies of coal and water. But until the mid-1950s textiles was the predominant industry and this was centred on the "developed" region of Catalonia.

Because wages in Portugal are well below the European average, industrial investment in labour intensive activities has been encouraged. A 1977 study of the textile industry by Werner management consultants revealed that hourly wage

INDUSTRIAL STRUCTURE

ROBERT GRAHAM

costs in Portugal were equivalent to $1.45 against $2.69 in Greece, $3.14 in Britain and $8.27 in Belgium.

Between 1965 and 1977 the labour force in the textile industry expanded by 55 per cent to 180,000, while apart from Italy all the EEC countries cut their employment levels.

As this trend has continued in the EEC, Portugal's textiles industry expanded further. Meanwhile, the strict labour laws protecting workers from redundancy, introduced after the 1974 revolution, have aggravated the problem.

Much of this labour-intensive activity is still at the scale of cottage industry. It is rare for one *company to dominate a* particular sector and there are many small concerns. For instance, the cork industry employs 16,000 while there are no fewer than 500 different companies operating in this field.

According to the industrialists federation, CIP, 80 per cent of all Portuguese companies employ fewer than 50 people and less than 1 per cent employ more than 500. Of the country's 200 largest industrial enterprises, three State-owned concerns—EDP (power generation), Quimigal (chemicals and petrochemicals) and Lisnave (shipbuilding and repairing)—provide 15 per cent of the 256,000 jobs.

The first 10 companies among *the 200 largest provide one* third of all jobs. As a result of the 1974 Revolution the State, where it did not already control strategic production or large-scale operations, nationalised them.

But because of the undeveloped and fragmented nature of Portuguese industry, this meant that the public sector still did not dominate the economy.

More than half of industrial production remains in private hands, some foreign, and if Portuguese usually in small family businesses.

What has changed is that the commercial banks, which previously had substantial industrial equity holdings, were taken over. In these instances the State acquired their interests; but in the smaller companies the state is now either a sleeping partner or seeking to sell the assets back to private enterprise.

Foreign penetration of industry has been mainly limited to small equity holdings to ensure control of royalty and licence payments. Foreign holdings in industry were not affected directly by the Revolution. Of the top 200 industrial enterprises 31 are foreign-owned, five being among the *leading 20 that include, Ford, General Motors, Grundig and Siemens.*

The fragmentation of industrial operations is complemented by a high concentration of activity in a limited geographical area. Development has been mainly along the coast from Setubal-Lisbon in the south and around Oporto in the north, with a degree of ribbon development between.

The north supplies the bulk of industrial production, about 65 per cent, priding itself on its separate development and greater capacity for work. *Spreading industrial development* more evenly throughout the country depends very much on the Government's ability to improve the communications.

Opening up the north requires major investment in better roads into the steep uplands and mountains—roads *which would serve not only* Oporto but also Lisbon and, just as important, Spain.

Another boost would come from making the River Douro navigable up to the Spanish frontier, and there is still no modern highway between Lisbon and Oporto. The *existing route is severely congested,* with lorries taking six hours or more to make what should be a three-hour journey.

In the south a new pole of industrial development is growing up round Sines, the site of a major petrochemical complex conceived at the height of the oil boom. The Sines project has been scaled down and continues to draw a barrage of criticism from the private sector.

Even so, it may have a catalytic effect on promoting a new industrial centre and port. A *new port would be useful,* since both Lisbon and Oporto are costly, inefficient and bedevilled by labour disputes.

With the prospect of Portugal joining the EEC, the industrial structure does not lend itself easily to rapid diversification and nationalisation. For a start, *the public sector is only now* beginning to adjust to the convulsions caused by the Revolution.

Management remains problematical and the financial organisation of the State-controlled concerns leaves much to be desired.

The private sector remains conservative and wary of change. With a rigid system of price controls, an antiquated method of industrial licensing and the limited availability of long-term finance, it is not encouraged to adapt itself to the future.

Even so, the Government has set out a series of priorities which provide a framework for reference if not action.

The Government is basically *against new investment* in heavy industry except when it is based on Portuguese raw materials. This means the "judicious" expansion of iron and steel capacity to meet needs that are expected to treble by 1990.

This last year the green light was given for $750m steel plant for rolling flat products—a decision which had strong social and political considerations. A second planned phase has been shelved.

Any base industry using petroleum-based materials like the Sines petrochemical project will be rationalised and certainly not expanded. A major priority will be to raise the added value of a number of traditional products.

These include ceramic materials (in electronics), insulating products like cork, slate by-products and glass by-products.

As in Spain, energy-intense industries like cement and ceramics will be converted to burn cheaper fuels, particularly coal. Another major priority is to improve the scope and quality of food processing like canning and preserves.

Perhaps more importantly, a qualitative change is planned for the production of traditonal goods, like textiles, clothing and shoes. If not, there is no way that these products can sustain competition from Third World countries like Taiwan.

Finally, an attempt will be made to increase the level of foreign investment to use Portugal as an assembly point for goods that can be sold on the European market.

The problem with foreign investment has been the smallness of the Portuguese market and existing EEC tariff barriers. *The most attractive areas for* foreign investment are considered to be electronics (with a labour-intensive element), automotive components and electrical equipment.

EMPLOYMENT BY SECTOR
(Percent shares*)

	Portugal	Greece	Spain	EEC(9)
Agriculture	27.8	38.9	24.8	10.3
Industry	33.7	26.3	37.2	40.3
Services	38.5	34.8	38.1	49.4

* Average for 1971-75
Source: CIP

Back to the drawing board

CONTINUED FROM PREVIOUS PAGE

EEC. In terms of EEC production Portuguese textiles are on a small scale but they are seen as a threat, particularly to the industries in France and the UK.

Equally, the more modern Portuguese textile manufacturers recognise that there is a limited time *to sustain their* type of production against Third World competition, or indeed that of other EEC members. The same is true of shoes and ceramics for instance.

There is a shortage of management skills and a lack of technology, but it would be wrong to assume that Portuguese industrialists are incapable of adapting. Arguably, they have shown remarkable *resilience in coming* to terms with the chaotic conditions created by the aftermath of the revolution and the loss of colonial markets (and assets) in Angola and Mozambique.

In a short space of time they have had to adapt to a completely new system of labour *relations, break-up of* the control of the private banks over industry, state participation in all key activities, and the end of the colonies.

The main problem in transforming and promoting Portuguese industry, it is argued, is the rigidity of labour laws, which make redundancies virtually impossible. In its electoral platform last year, the *AD pledged to reform the* labour laws, an inheritance of the Socialistic euphoria of the revolution. The new government has repeated this commitment, but this means a clash with the powerful trades union movement, still dominated by the Communist Party, at a time when the Government may be pressured by the IMF to instil wage discipline.

Reform of the Labour laws is tied *in to the more general* issue of altering the 1976 constitution to permit the adoption of a market economy. In this respect the constitution was couched in near-Marxist terminology which the AD argues has no relevance to Portugal's aim of becoming a member of the EEC.

So far the military watchdog body, the Council of the Revolution, has used its right of veto to block most liberalising legislation, and despite what appears to be a pact between Sr Balsemao and President Eanes to do away quickly and quietly with the Council of the Revolution by reforming the constitution, many feel this is some*thing that* can only change with difficulty. It is the most disruptive issue in Portugal today.

However, it is precisely this issue which troubles the private sector. The latter say that until the constitution is reformed there is insufficient incentive for investment.

Another big complaint is the way in which state companies' bonds have such privileged fiscal treatment and an attractive return *of 18 per cent net.* an industrial ventures because With the problems of finding long-term investment funds anyway, there is little attraction in ploughing one's own capital into an industrial venture because few if any could produce such a good return as these bonds. Alternatively, *money is going* into property speculation, which offers the sole means of quick gains and some concealed profit. There is no shortage of money around, aided by emigrant workers' remittances—and a good deal *more lies in the hands* of Portuguese waiting outside the country.

If the necessary constitutional changes are not made soon, the chances of Portugal being able to cope with a 10-year transition period to join the EEC will become more remote.

The Government claims to be aware of this and in general the new ministerial team has a businesslike and practical air. The former Industry Minister, Sr Baiao Horta, has been retained in a portfolio whose powers have grown. As an industrial chemist and having formerly worked *in the national steel* company, he has practical experience of industry.

This is a positive sign that he will follow the broad lines of industrial strategy, lessening state intervention and encouraging an industrial transformation to meet the challenge of the EEC. *But a sense of urgency* is needed and evidence of this remains disappointingly slim.

PORTUGUESE INDUSTRY III

More technocrat than conventional politician, **Baiao Horta** is very well qualified to handle the difficult job of Industry Minister. Profile by Diana Smith.

Tough man—tough challenge

A FEW weeks ago, Sr Diogo Freitas do Amaral, leader of the Christian Democrats, was harshly criticising the Coalition Government of Sr Francisco Pinto Balsemao, which had several prominent Christian Democrats, not least the Horta Brothers, Baiao, 43, and Basilio, 37.

While their party leader publicly disapproved of Sr Balsemao—thus being seen to align himself with noisy, ambitious members of the Premier's Social Democrat Party bent on the Premier's downfall, the Horta Brothers supplied the Premier.

In the new Balsemao Administration they have reaped a rich harvest: Basilia has been given the new combined Ministry of Agriculture, Internal Trade and Fisheries, while Baiao has received another large department—Industry, Energy and Exports.

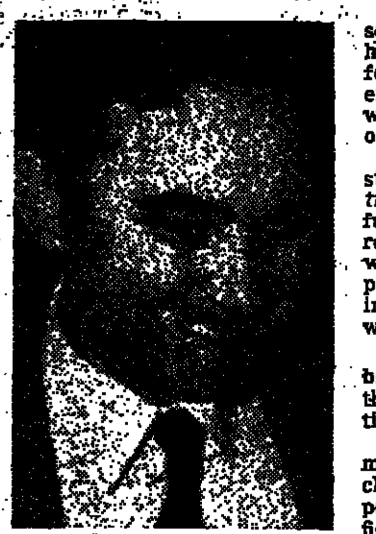
These are crucial factors in Portugal's ambitious plan to grow fast and find a stronger footing in world markets.

But even in Portugal's labyrinthine politics, loyalty is not enough to justify a major Government appointment. Baiao Horta is generally regarded as a particularly tough-minded man, more technocrat than conventional politician, and well qualified to handle a difficult job.

He studied industrial chemistry at the country's Higher Technical Institute in the 1950s, returned there for an engineering doctorate in 1973, became a professor in 1979, *and, in the* 1960s, took a Master of Science degree at Birmingham University. He then worked from 1960 to 1975, in the national steel industry as a technician and later an executive, then stuck with the vagaries of Portugal's successive governments from the heady days of 1975 when revolution was the key word and nationalisation the order of the day.

In the sixth provisional Government (1975-76) Sr Horta was Under Secretary of State for Heavy Industry—a *sector* heavily involved in the nationalisation craze.

In the brief, incompatible marriage between Sr Mario Soares's Socialists and Sr Freitas do Amaral's Christian Democrats, which formed a short-lived coalition *in 1977-78,* Sr Horta was Secretary of State for Energy and Mines.



Baiao Horta: energy and intelligence

He then interrupted his Government activities to work in industry and when the first Government of the Democratic alliance of Social Democrats, Christian Democrats and Monarchists came to power in January 1980 he returned as Secretary of State for Manufacturing Industry.

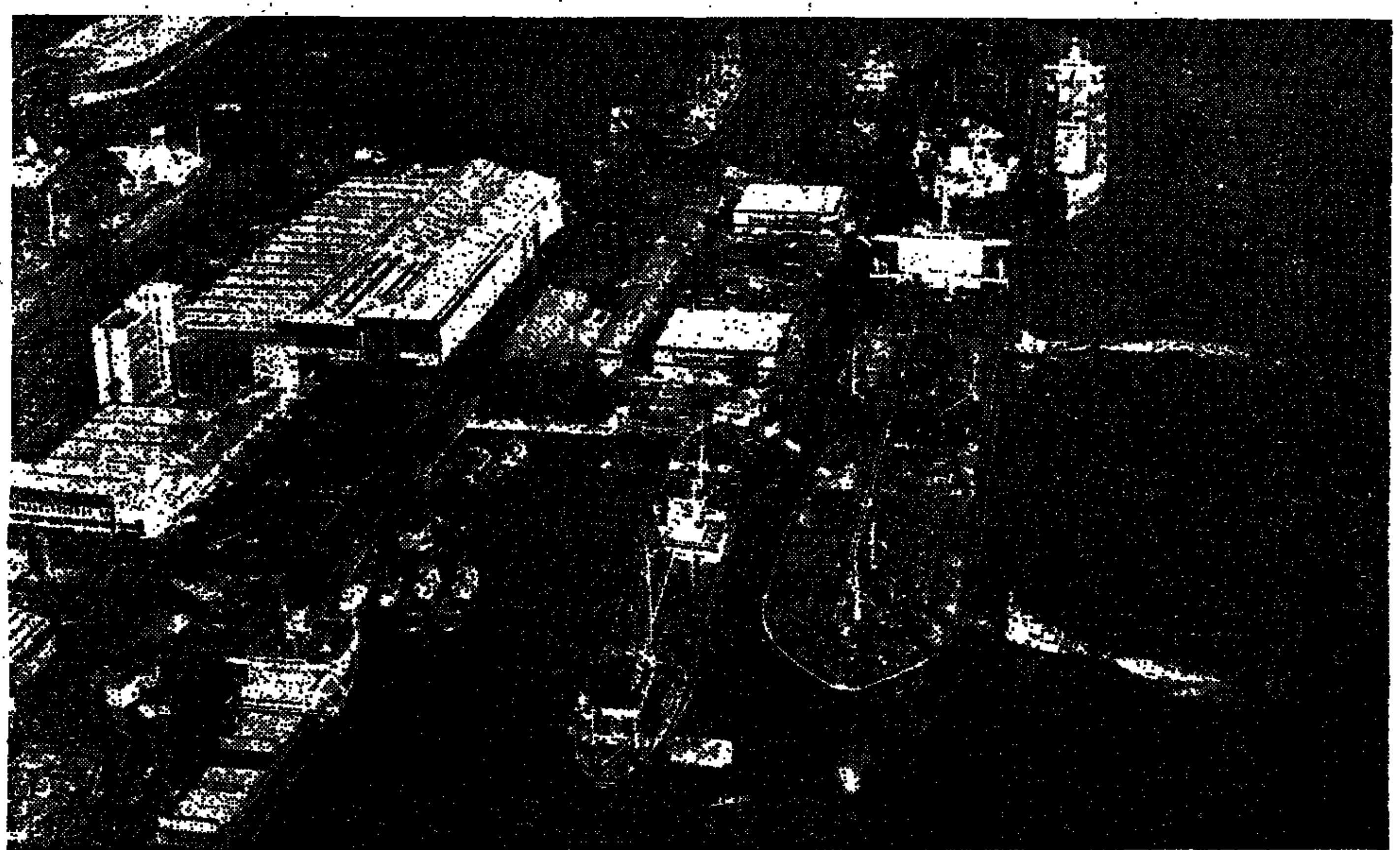
When Sr Balsemao took the reins last January Sr Horta was appointed Minister of Industry and Energy. It was a tough introduction to senior ministerial rank. A long drought seriously affected Portugal's hydroelectric resources and forced drastic reductions of energy consumption in industry, with grave consequences for output.

At the same time the largely state-owned inefficient indus*trial sector was subjected to* fund-cutting in an attempt to reduce the Government deficit, while the heads of private companies held their breath waiting for legislative changes that would give them more freedom.

All this and political party bickering made it difficult for the Coalition to govern effectively.

The second Balsemao Govern*ment* has begun its term in a climate of uneasy political peace and severe economic difficulties. The creation of large *portfolios like that of Sr Baiao* Horta's Industry, Energy and Export, is meant to speed up decisions (rapid decision-making is not a Portuguese *forte*) and solve some problems caused by separate departments haggling or procrastinating over complex projects.

Sr Horta seems to have the intelligence and energy to tackle the new demands made on him, but whether the creaking system will respond positively remains to be seen.



Tugs berth a tanker at Lisnave. The Lisbon yard is well placed for repairing Gulf tankers

Lisnave yard trying to diversify as worldwide crisis bites

SHIPYARDS

DIANA SMITH

THE world-wide shipping crisis has hit Lisnave, Portugal's prestige repair yard as Lisbon, as hard as yards elsewhere—but the company is bearing up and trying to strengthen its base through diversification.

The eighth largest company in Portugal, and a major invisible export earner, Lisnave had a turnover in 1979 of $150m—an improvement of 72.7 per cent over 1978, when the crisis began to bite.

*Its complex share and man*agement structure, with the State having a minority holding wrested in the 1975 Revolution from the Mello family, and the Dutch and Swedish partners demanding that Senhor José de Mello be kept on as president, permits the *purchase of small* companies related to the industry.

Like other Portguese industrialists whose assets were nationalised in 1975, the Mello family has received bonds as compensation after years of delay.

These bonds can be cashed in—at a discount—for shares in dozens of small companies swept into the nationalised net six years ago. These are classified as "lame ducks" and are up for grabs by private hands.

Thanks to Portgual's geographic location near the world's major shipping routes, and to the skills that Lisnave has accumulated over the years, the ship repair industry is one of the few areas of heavy industry that foreign investors find worth pursuing.

Unfortunately, the worthy but overscaled State-owned shipbuilding yards of Setenave are still reeling from the sudden blow to world shipping in the 1970s and are hard-pressed to find buyers for vessels already built.

Lisbon is strategically placed to repair empty ships on their way to the Persian Gulf, and Lisnave's pioneering tanker-flushing unit on the south bank of the Tagus has become an added attraction.

The concern has a longstanding presence in the Gulf area, becoming Portugal's major earner in the Middle East through the highly successful work of its projects branch, Navelink, which co-ordinated construction of the large Asriy repair yards in Bahrein and manages the yards.

Despite the problems of the Iraq-Iran war, Asriy has been such a success that an approach was made this year for its take-over of a similar but cumbersome project in Dubai.

Navelink is also involved in *the construction* of a yard designed for smaller vessels operating in the Red Sea, with capacities of 40,000-50,000 tons deadweight.

In timid Portuguese efforts to promote exports of goods to the Arab world, where the country has a *trade deficit of* nearly $1.5bn, the efficiency of the Lisnave-Navelink connection is a major selling point for sceptical Arab businessmen who know little of Portuguese products.

The yard weathered the labour *storms of 1975 and* persuaded customers to continue using its services thanks to the persistence of Sr Alvaro Barreto, the then managing director who travelled far assuring nervous shipowners that Lisnave could do the job and *on time. It is now far more* competitive, with favourable turnround times and less surplus manpower.

The first strike in five years took place *this* year at a time when *strike-fever* suddenly hit nearly every field of Portuguese *activity in an attempt by the* far Left to hamper the Government. But it was quickly settled.

Lisnave is playing a part in the efforts to revive Portugal as an important maritime power. It does not seek to rule the seas but rather *to harbour vessels of* many flags, earning money for services rendered and reducing the cost to domestic consumers of such essential imports as grain and animal feed.

Some Portuguese dream of the day when Lisbon may become southern Europe's equivalent of Rotterdam as an entrepot port.

Fulfilment of the dream depends on development of the land transport system as well, not just in Portugal but throughout the Iberian peninsula. The EEC has shown its understanding of this need by advancing for the road and rail system and also for improving the navigability of the important River Douro in the north.

The great advantage of the port of Lisbon is that it is underdeveloped, while being one of Europe's best deep-water harbours.

Plans already made by the Lisbon port authorities are ambitious. They include a long extension of the main cargo-handling quay at Alcantara-Mar on the north side of the Tagus. Now nearing completion, it will more than double container-handling capacity and admit larger vessels.

On the south bank of the Tagus at Trafaria there is already a giant soya silo able *to handle the huge annual* imports of animal feed the country needs.

The most ambitious scheme of all plans to reclaim a long tract of land on the south bank of the Tagus near its mouth, where adjoining coal and grain-*handling terminals* would be built.

This idea has been influenced above all by the unique advantages enjoyed by Dutch meat and poultry producers, thanks to the high-speed cost-cutting capacity of Rotterdam's man*dioc importing facilities,* for which fees are minimal.

The Portuguese believe that they could achieve something similar, offering a shorter Atlantic crossing than to Rotterdam and the modern equipment needed for speed and a competitive edge through lower handling costs.

They also believe that Portuguese farmers would benefit from the cost reductions while Europe would have another source of cheap food.

Such is the dream. But it cannot be realised as long as chronic disputes with the port labour force, which have driven up handling costs, remain unsolved. Lisbon is now Europe's fifth most expensive port.

Labour problems began well before the revolution. Even the former dictator Dr Salazar was wary of tangling with the dockers' unions. Over the years the unions wrested benefits and powers for themselves that gradually made them what despairing shippers call a "dockside Mafia."

This year the dockers have been particularly disruptive. The Government tried to reduce their overtime and, thanks to the concessions the unions have seized over the years, nearly all port work is now "overtime." The problem is crucial to the success of port development plans.

Not only Lisbon but smaller ports in the far north, centre and south are in line for major improvements with the help of EEC, West German or Nato funds.

Meanwhile, the port of Leixoes, which should be serving the commercial and industrial centre of Oporto and the northern industrial belt, is the despair of traders and industrialists.

The second most expensive port in Europe and considered exceedingly inefficient, Leixoes is often shunned in favour of the Spanish port of Vigo to the north, from which goods for Portugal are driven over tortuous roads.

Strategically, another northern port, Viana do Castelo, could play a major part as a repair centre should there ever again be sea battles in the North Atlantic.

The Portuguese hope to develop navy skills at Viana from the planned construction of two Nato-financed frigates, over which there is still much haggling between European would-be suppliers.

Plan needed to maximise energy sources

PAPER AND PULP

DIANA SMITH

[SOM]E SECTORS of Portuguese [in]dustry that are likely to [we]ather accession to the [Eu]ropean Economic Community [wi]thout undue suffering, are [fe]w. Pulp is one of them.

In the past decade the indus[try] has gone ahead rapidly and [its] leaders consider it is already [fit] enough for membership of [th]e EEC.

The advantages Portugal [en]joys, according to the pulp [in]dustry, are its raw materials [—]either pine or eucalyptus—[an]d its technology, originally [im]ported but now being [de]veloped locally.

Portuguese short-fibre pulp is [we]ll regarded and the country's [sta]te-owned conglomerate, Por[tu]cel, result of the merger of [fiv]e ailing companies in 1976, [ha]s seen its number of cus[to]mers world wide grow from [..] in 1977 to 171 last year.

Europe is still the strongest [m]arket and the UK once took [a] third of Portucel's exports; [bu]t sales to the Comecon bloc [ha]ve grown from 105 tonnes in [19]79 to 7,500 tonnes in 1980.

Sales to Africa have grown from 6,000 tonnes in 1977 to 22,000 tonnes in 1980. In the Far East, Portucel went from zero customers in 1979 to nine, with sales there totalling 83,000 tonnes.

Portugal's drawbacks lie in the vital area of energy (the country is heavily dependent on imported fuel and the pulp and paper industries are high energy consumers) and lack of overall forestry policies.

What the pulp industry needs is a plan for the maximum use of alternative energy sources: recycled wood residues or chemicals, for instance, which could initially save 10 per cent of energy consumed, and prices that would retrieve part of the cost of the current exorbitant cost of imported energy.

Meanwhile, there is much to be done in forestry. The World Bank and the Food and Agriculture Organisation have backed a five-year programme for the afforestation or reforestation of 150,000 hectares (375,000 acres) in various parts of the country.

Only part of this is destined for pulp resources. Portucel, has 60,000 hectares under the programme, with 30,500 hectares of pine and 29,500 hectares of eucalyptus.

Portugal especially needs to recreate forests thoughtlessly exploited in past centuries or replant areas ravaged by forest fires. This year's toll has been particularly grim.

In this year's fires *eucalyptus* groves burned in the centre while firemen struggled to extinguish the blaze on the edges. In several places local people stood by without helping, it is said, because they resented the eucalyptus trees encroaching on their grazing land.

The pulp industry, meanwhile, claims that of the 3m hectares (7.5m acres) of Class D and E (low grade) Portuguese land set aside for forestry only a small part has gone to eucalyptus, and that this controversial tree has not harmed rich grazing land.

The industry also claims that, contrary to common belief, the *eucalyptus does not drain* the soil of water and trace minerals. It feeds it more generously than other species, it is said.

Despite the *eucalyptus* quarrel and the vagaries of Portuguese *official* forestry methods that leave ample scope for ruthless middlemen who sell lumber in vast quantities to Spain, the pulp and paper *industry is forging ahead.*

The British-owned Caima pulp company — Portugal's oldest established pulp concern, which started *its first mill in 1888—is* hoping for 100,000 tonnes capacity from two mills next year, compared with 14,000 tonnes from *one mill* in 1955.

It is believed that there is no undue competition in exports between the privately-owned Caima or Celbi mills and state-owned Portucel. The private mills mainly supply tied foreign users. *The story of Portucel,* meanwhile, shows what Portugal needs to do and, occasionally, can do, to "go European."

When it was *formed in 1976,* a year after the revolutionary fever, Portucel put together some severely under-capitalised and *archaically-equipped private* companies which stood no chance of competing individually in an increasingly tough pulp and paper market.

A decision was taken to make Portucel fully-integrated, from tree to pulp, paper, packaging and transport, forcing up output rapidly despite the scanty resources then available.

Heavy investment was to have been made in modern equipment and technological research, creating by the mid-1980s an industry of European dimensions with cost effectiveness and *quality of product* equal to that of successful mills in other countries.

That objective is still far off. Portucel's financial overheads are vast. Its capital amounts to Es 300m ($4.6m). But in 1980 its self-financing—Es 2.3bn ($35.3m) improved by 201 per cent.

Meanwhile, to help other sectors it is required to perform economically bizarre tasks such as acting as import agent for newsprint—all of it foreign. It must pay its suppliers within 30 days while Portucel's customers pay in instalments if at all. It is required to sell pulp at absurdly low prices to Portuguese customers while trying to keep a reasonable profit margin on export dealings (362,000 tonnes of pulp and paper worth $126m in 1980).

Portucel is the country's largest exporter and thanks to the stronger dollar it is likely to make a net profit this year of Es 1bn ($15.8m), whereas without the dollar adjustment it might have, more reasonably, expected Es 600m ($9.23m). The company intends to plough its *profits into growth.*

The aim is balanced growth—improving forests under its own supervision, and the development and diversification of paper mills, following its success with corrugated cardboard.

In a number of Portucel's paper mills the capacity up to 1984 will be raised by between 38 and 120 per cent, with the dual target of import substitution (it is one of the few Portuguese industries to admit there is such a policy as import substitution) in a wide variety of paper products, and further export growth.

All this must be done amid growing public concern about the environment. A pulp mill planned by Soporcel (not part of the Portucel group) was fiercely rejected by the people and *the authorities* of Salvaterra de Magos on the River Tagus as a dangerous source of pollution.

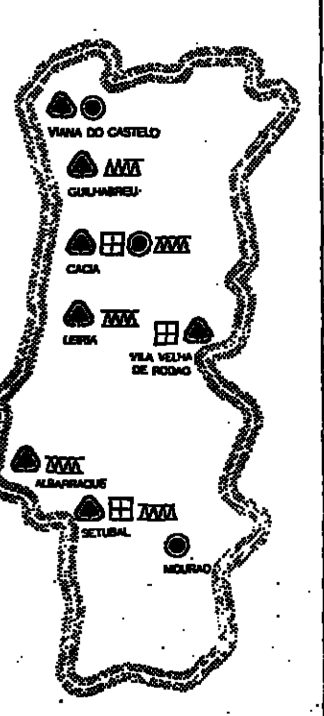
Meanwhile, Portucel is obliged to invest heavily in effluent control. In its Viana do Castelo plant it has reduced atmospheric pollution to 5 per cent, while the solid wood residues are carried out to sea by an 11 km long pipeline.

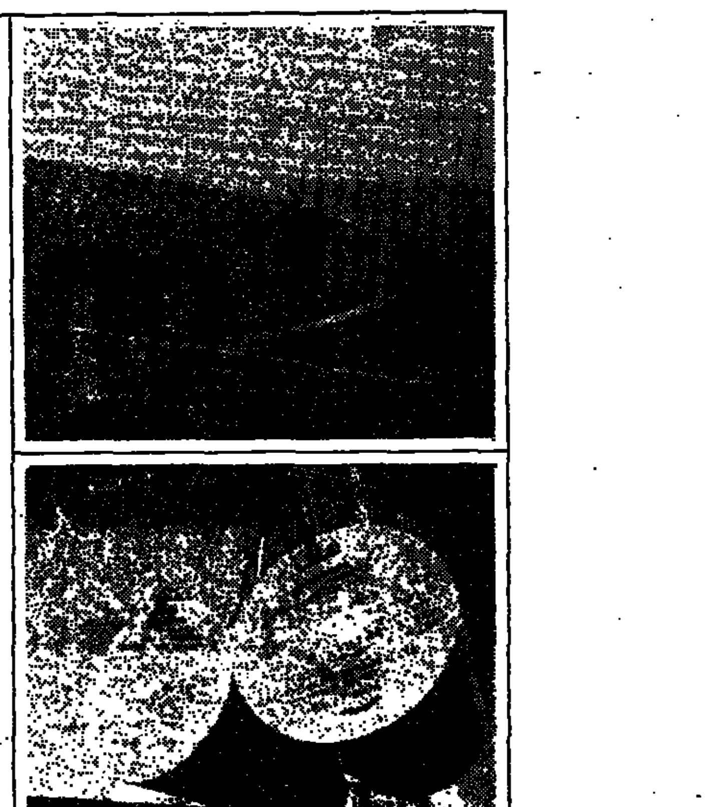
Portugal has a particular geographical advantage that adds to the competitiveness of its pulp and paper, assuming that consistent quality of output can be maintained. It is equi-distant from major Atlantic and Mediterranean ports and Portucel has its own shipping as well as its own lorries.

That does not mean all that types of paper product will be competitive abroad for some time. Portucel's struggle to build a rationally integrated and diversified pulp and paper industry reflects the damage done by the old Portuguese faults of under-capitalisation and an excessive number of small, inefficient companies using antiquated plant.

Such haphazard ways are one reason why Portucel must for some time play its unwanted role of channel for expensive newsprint or paper imports while the national paper industry slowly realises that joining the EEC in 1984 will spell disaster unless it learns to go for size, efficiency and rapid technological improvement.

Pine logs await shipment in the harbour at Oporto. Faster-growing eucalyptus has largely replaced pine as the basic material for pulp





Impatience at 'self-limitation' of exports to EEC countries

TEXTILES

DIANA SMITH

WHO WILL WIN when French and British textile manufacturers decide that the crisis in their industry requires Portugal to be cast as a Japanese-style villain, flooding depressed markets with goods, and a crisis-ridden Portuguese textile industry representing 40 per cent of the country's total output struggles for survival through export largely to Europe?

At this stage in Portugal's negotiations for membership of the European Economic Community by *1984* the *poor candidate* has managed to persuade the richer but troubled examining board in Brussels to avoid *overt reference to post-*accession textile restrictions.

This is a small improvement on long-standing insistence, *especially by Britain, that a* transition period with quotas strictly maintained would be essential. It has been interest*ing to watch the* procession of important EEC visitors to Portugal striving for the optimum use of Brussels *double-speak.*

"The Community's ideal of free trade will be upheld, of course." Pause. "Meanwhile. Portuguese textiles . . . our industries are in crisis, you see."

Translated, this means: whereas there will be no quantitative limitations on Portugal's textile exports to the EEC, the present system, based on self-limitation with periodically-adjusted export levels will be maintained.

Such "self - limitation," according to a disgruntled Portuguese manufacturer, is like being pushed into a *cold* mountain stream when you had no intention of going for a bathe.

Present quotas have become tough, especially in knitwear, and the European recession has hurt sales. The total textile exports in the first half of 1981 came to 86,850 tonnes worth $492m. This was 2,000 tonnes more than the same period of 1980 and $50m more in nominal value.

In real value exports fell, according to the Portuguese Textile Institute, due to domestic inflation (15 per cent year on from June 1980 to June 1981) and the decline of the escudo against the dollar (17 per cent since the beginning *of* 1981).

Caught between the Charybdis of European quotas and the Scylla of undercapitalisation, and *too many mills competing* in similar domains, the Portuguese industry hopes to avoid sinking by diversifying markets.

Having long relied on Western Europe (EEC and EFTA) for nearly two-thirds of its textile sales, it now sees the light. This means Latin America and North America — tricky markets especially in Brazil, with heavy protectionism — or Portugal's former African colonies of Angola and Mozambique.

There is a sound rationale in the Mozambique connection, especially: The country is a potentially large cotton producer and Portugal lacks raw textile materials.

As Mozambique overcomes the first expensive flush of Comecon-assisted revolution and looks cautiously to the West for goods or technology —the kind that can be effectively applied in its geographical and climatic conditions, Portugal is finding a foothold there.

Mozambique has little spare money for textile or *other* imports at this stage, but the Portuguese attitude is to try to send technical help whenever it *is requested, especially young* engineers who can restore abandoned factories and later perhaps reap the benefits through increased sales.

Meanwhile, Angola, whose relations with Portugal are also becoming more peaceful and productive now that the worst traumas of decolonisation have begun to heal, took 1 per cent of Portugal's total textile exports last year.

Despite the recognisable crisis in the Portuguese order books that followed a boom year in 1979, new ventures are still opening in textiles and individual confidence seems strong.

It may be misplaced, not only because of the thick clouds of doubt over sales to Europe in the medium and long run but because of national attitudes.

In theory, the north of Portugal could emulate the "underground" textile economies of Italy: the female population is diligent and responds to energetic manage*ment and financial stimulus.* It should not be too difficult to organise cottage or family industries.

But the Portuguese generally do not have that Italian blend of aggressive, stylish marketing of their own tastes — nor do they take the risky initiatives that the thriving "Signori Brambilla" of Italy have taken.

They also lack the imaginative commercial banking system that will take fliers on bright ideas to produce high-quality knitwear in remote small towns. Bureaucratised to the top floor, *Portugal's nationalised banks* and its slow-moving Central Bank are more inclined to say "no" than even "maybe" to entrepreneurs.

Meanwhile, some Portuguese enterprises finish batches of high-quality Italian knitwear for re-export — a venture in which the Italians are keenly interested.

Labyrinthine and sometimes painful EEC negotiations have given Portuguese textile manufacturers a foretaste of what to expect when their country accedes three years hence: contradictory treatment that relegates them to either the *status* of a competitive nuisance or a modestly-deserving poor relation.

The strongest elements in the industry expect trouble and most of them seem prepared for it—hence the search for non-European markets. But the industry includes hundreds of small manufacturers who have somehow scraped along for years.

For all the EEC's aid for small and medium companies or unilateral technical and financial aid for these types of concern from member nations, it is hard to see how the small, inflexible firms will survive the move into the Community.

If many Portuguese businessmen seem to not realise the costs of EEC entry, it can be *blamed partly on successive* governments since application was made in 1977. They did not clearly inform the public *of the pros and cons of* membership or try to do so until recently.

What information finally came was mainly attributable to the personal efforts of Sr Alvaro Barreto, the former European Integration Minister, who could not be faulted for his realism or attempts to put the complex European message over through the media.

Another part of the problem lies deep in the Portuguese mind and soul. It was summed up by a Portuguese private businessman during a recent attempt to calculate how much aid, financial or technical assistance had not been used and how many thousands of small firms—textile or other—had not come forward with projects that warranted subsidised incentives.

Loans or cheap-interest credit lines and imaginative aid projects worth tens of millions of dollars are waiting for someone to make use of them. Most are designed to help the small or medium-sized entrepreneur who stands to lose most from EEC membership.

While the slow-moving Portuguese bureaucracy can be blamed for some of the lethargy in putting these funds to work (some have been sitting around for years waiting for takers) much of the trouble is perhaps best summed up by the same businessman.

"We are boastful dreamers," he said. "We crow about what we would do in business if we had the means. Give us the means, and you destroy our fantasies.

"Would you swap a castle in Spain for a smelly factory unless you had the Northerner's drive? I doubt it."

PORTUGUESE INDUSTRY V

Big demand for cars despite low pay and bad roads

Traffic on the Avenida da Liberdade in Lisbon. Portugal's motorists empty their pockets at pay-day to buy the most expensive petrol in Europe

CAR INDUSTRY

DIANA SMITH

ONLY ONE in every 11 Portuguese owns a car. But for the first 10 days of each month a foreign visitor might think that the entire population of nearly 10m had taken to wheels in Lisbon.

Traffic jams, noise and pollution from exhaust pipes are all unbearable.

By mid-month it is still noisy but the traffic moves, because sufferers from automania have now spent too much of their pay on filling their tanks with the most expensive petrol in Europe (Esc 55 a litre) and driving around aimlessly for days.

The rattletraps or newer cars have returned to their usual place—treble-parked in narrow streets—until the next pay packet leads to another round of jams.

Despite the high cost of petrol and tight credit, deliberately aimed by the Government at discouraging consumption and regardless of the high capital cost of a car in relation to a low average national income, automania persists in Portugal.

Showrooms either have no display models, because they have been sold, often for cash down, or those they have are hung with "sold" signs. The industry grumbles about long-standing import quotas aimed at allowing a domestic industry to build up, which means that demand cannot be rapidly satisfied.

Vehicle sales in the first half of the year were buoyant, exceeding 1980 by between 11 and 18 per cent depending on the model. There is a danger, of course, of a fallback when the Government imposes new austerity measures later this year. But on past experience the Portuguese are likely to skimp on food so as to run a car, if only part-time.

The market will doubtless respond in time to such factors as compulsory insurance and vehicle inspection, finally passed after years of delays. This should reduce the advanced average age of cars.

At present, the effects of old badly-maintained vehicles driven by daredevils with slow reactions fill scrapyards with wrecks and keep Portugal's fatal motor accident statistics the highest in Europe.

Meanwhile, reasonably steady industrial growth and diversification are helping the commercial vehicle sector. But as long as Portugal's main north-south highway between Lisbon and Oporto remains only half-widened and straightened, the transfer of goods by road will be monstrously expensive and time-wasting.

It has been argued that because improvements to National Highway No. 1 cost $2m a kilometre, and because the country has economic problems, work goes slowly when funds are available.

Businessmen rightly argue that a country seeking international container lorry business and planning to invest in international terminals, not to mention asking to be taken seriously as a modern European country, can make no more excuses for allowing its main north-south route to remain choked by frustrating bottlenecks.

The EEC is providing some pre-accession aid for road improvements. At the same time the ECC Council of Ministers has allowed Portugal to retain restrictive import quotas on vehicles and parts so that the domestic industry can be strengthened.

Originally, quotas set in 1972 were due to end last year. They have now been extended to 1985 — a year after EEC entry.

The law governing the structure of the Portugal-based vehicle industry, passed in 1978, and the bureaucratic system of price and profit margins imposed, do not help foreign vehicle manufacturers.

The law, and the quotas, seek to effect a gradual decline in imports of completely-built-up (CBU) or completely-knocked-down (CKD) vehicles, growth of a domestic components industry with either Portuguese or mixed capital, and an increase of exports.

These are heady aspirations for a small country with little experience of advanced technology.

In principle, a strong incentive like the $600m investment by the French State-owned company Régie Renault, bringing in funds and technology, was just what Portugal needed, and in most respects it is.

The Renault plan shows faith in a small country with a very patchy industrial record and archaic labour laws. But having committed itself to encouraging an integrated industry the French giant is moving forward conscientiously.

As in so many Portuguese developments, the desire to offer powerful newcomers the lion's share of the market, thus shutting out the competition, brought an initial Government offer to Renault of a guaranteed 45 per cent of the market.

This infuriated the competition, struggling with labour problems, tight margins and CBU or other import quotas. Finally, it was decided to let Renault find its market share once the 120,000-vehicle limit comes into operation and the irritation of Volkswagen, British Leyland, Fiat, Peugeot, General Motors and others has cooled.

Now all they need is to find how to meet increasing competition from Japan.

Meanwhile, the response Renault expected from Portuguese entrepreneurs seeking to enter the components industry has fallen far short of expectations. So far only 11 such arrangements have been made. A limited range of component exports has begun, although there are still quality control problems.

General Motors has diversified, buying up factory space once used for other purposes, or building new units to produce glass and other locally-made components for domestic or export markets. This is what the authorities hoped for when they drafted the motor industry law. But the import figures illustrate the distance still to cover.

Between January and October, 1980, 7,666 tonnes of parts and nearly 5m sparking plugs were imported at a cost of Esc. 3.5bn or $53m about $500,000 worth of motorcycles and $49m of agricultural machinery were also imported.

In the same period of last year 33,205 CKD cars and 12,419 CBU cars were imported, compared with 22,391 CKD and 8,236 CBUs in the same months of 1979.

In commercial vehicles, 17,953 light or all-purpose CKDs and 669 light or all-purpose CBUs entered the country—twice as many CKDs as in 1979.

Nearly 17,000 heavy CKD lorries were imported, compared with just under 11,000 in the same period of 1979.

As EEC entry approaches, the Portuguese motor industry's medium-term reliance on imported units, parts and technology is greater. Assembly of vehicles and parts accounts for about 7,000 jobs, while marketing, repairs, and administration account for perhaps 70,000.

In a country with chronic inflation, heavy budgets and balance of payments deficits, a weak industrial base and erratic private spending habits, the motor industry seems especially vulnerable to market fluctuations.

Meanwhile, it must also struggle to export to its European neighbours those goods that are the first to suffer from a depressed market.

There is clearly a need for greater productivity, as in every other branch of Portuguese industry, so that competitiveness in price and quality will improve when vehicles assembled in Portugal must fit into the European marketing pattern after 1984.

Japanese electricals set to invest when Portugal joins EEC

DOMESTIC APPLIANCES

DIANA SMITH

THERE ARE two ways of acquiring an electrical appliance in Portugal.

The straightforward way is from a *bona fide* dealer, who puts a 30 per cent mark-up on the goods he sells and is likely to be tied to a wholesaler who has a 15 to 20 per cent mark-up on the (controlled) factory price.

There is also purchase tax, now reduced on a wide range of items from as much as 45 per cent to between 15 and 20 per cent.

That means that a colour TV—a standard 53 cm model that varies little in appearance whether it is made by Grundig, Philips, Standard Electric (ITT) or Salora of Finland, will cost between Es 55,000 and Es 61,000 ($846 to $938).

At such a price it is not surprising that many Portuguese who wish to watch the ubiquitous "Dallas" in colour resort to the man who saw the very set they want fall from the back of a lorry—to wit, the smuggler.

They must then trust that the set was not damaged in the fall.

Smuggling electrical appliances has been a highly lucrative business for a tough band of Portuguese for decades.

Legend has it that one successful smuggler made so much money running radios, irons, mixers and TV sets across frontiers or off ships that he helped to finance the Communist Party. Then, when his Left-wing views became milder, he helped to fund the Socialist Party.

The fiscal guards occasionally swoop on suspected lorries and seize hundreds of thousands of dollars worth of smuggled appliances or find hundreds of TV sets, in crates marked "fruit," at the airport. But smuggling thrives nevertheless. The customer pays far less than he would at a Lisbon store and, since the Portuguese are becoming more gadget-minded, he goes back for more.

The legitimate electrical machinery and appliances market inevitably suffers from reliance on imported technology or components, but it is gradually earning a better reputation for quality.

The problem of slow delivery is still unsolved, but the appalling delays of the mid-1970s, when political disruption left important customers waiting for months for orders to be met are gone.

As in every other sector, the question of the relative weight of exports and questions of price and quality competition with the rest of Europe or with Japan hang over the future development of the domestic appliance industry.

There have been strenuous efforts to diversify, above all in an attempt to reduce imports of components or finished products. Not surprisingly, foreign capital and technology hold the lead.

Grundig, for example, set up in Portugal many years ago. Its Braga outlet has become a major source of exports, with nearly 3,000 employees and annual turnover in 1979 of $75m. Siemens of Portugal follows Grundig closely in turnover and number of jobs.

In the advanced electronics sector imports are considered far too great. Japan naturally dominates here, although Japanese investment in assembly or manufacturing in Portugal is small.

After a large Japanese trade mission to Lisbon earlier this year, the Portuguese are hoping that in time new Japanese capital and technology will be available.

Japanese willingness to invest in the machinery and equipment sector depends entirely on Portuguese membership of the EEC, and the Japanese are quite blunt about it.

Portugal at present seems willing enough to be used by Japan as a side door to the major European markets. The Portuguese need Japanese production to offset the heavy current imports from Japan, and they are worried that, after joining the EEC they might receive an avalanche of Japanese-made products.

With a gradual move away from pen-pushing to computers in private and public industry, finance, and government the demand for data-processing equipment and components is bound to grow.

The government wants to see computer components manufacturing expanded in Portugal. It is committed to cutting the elephantine bureaucracy down to size, and where computers have been installed, as in the tax service, its success has been considerable.

But it is one thing to hope for a diversified, dynamic local industry and another to achieve it under the present maddening bureaucratic delays in decision-making that often discourage new foreign investors or those who want to expand existing premises.

There is also a highly arbitrary pricing system that foxes, infuriates or thwarts the manufacturer with a wide range of products.

Foreign businessmen complain often bitterly and in several sectors, that from one period to the next they are faced wtih a different official approach to price structures, which are based on such complex calculations of past margins, stocks, overheads and other factors that they are incomprehensible.

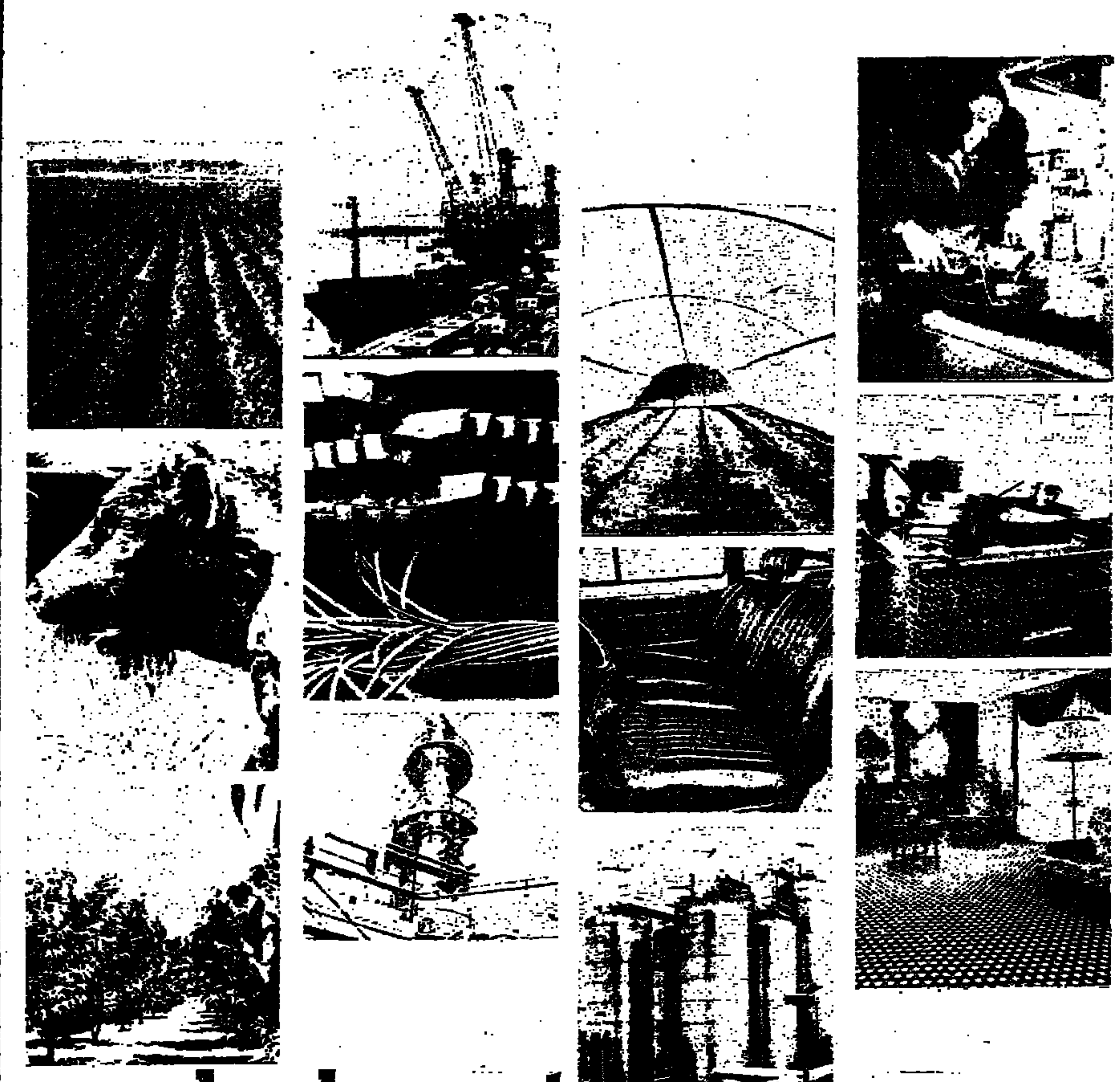
Rarely do they deal with the same functionary from one session to the next and, they say, the new incumbent of the "price man's seat" rarely knows what his predecessor was doing.

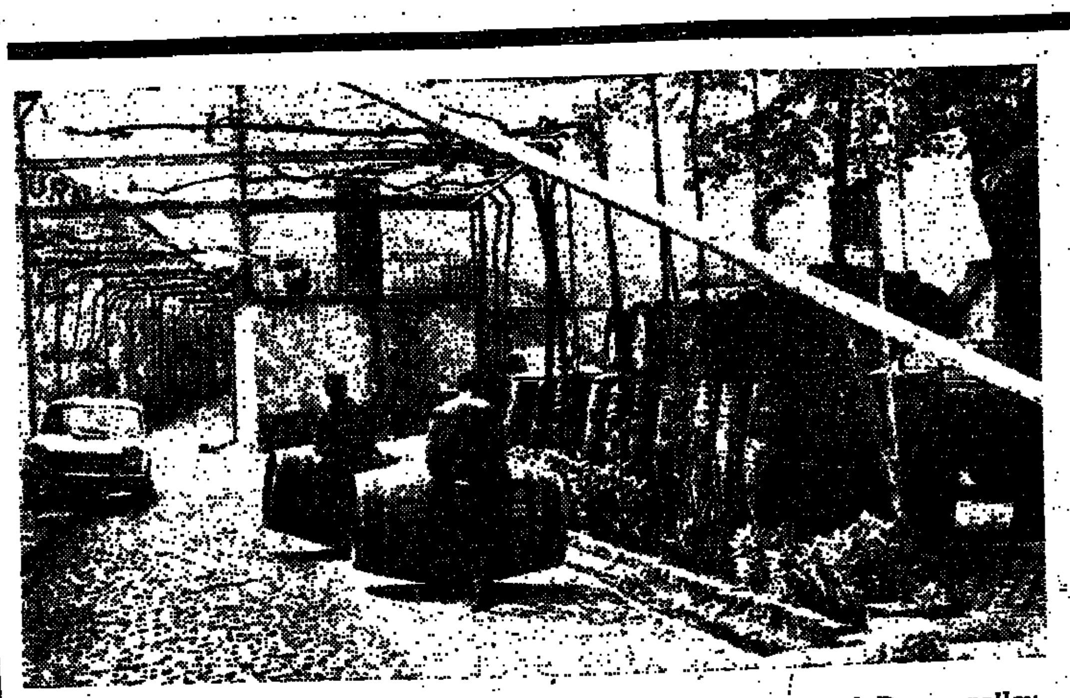
The same complaint applies to investment requests. The foreign businessman often has to sit around for hours waiting for an official to get round to him. This discrepancy between what normally happens and the keen desire to modernise Portuguese industry is sorely felt in such high-technology sectors as electronics.

It is known that other countries offer a more rapid return on capital and cause fewer bureaucratic hang-ups; and this is recognised as a serious threat to Portugal's EEC ambitions.

At the same time reasonably low labour costs are confounded by laws that encourage overstaffing and make it difficult to dismiss an unsatisfactory employee.

The new Government seems bent on getting these laws changed, not to bring back the bad old days of mass redundancies or lock-outs but to achieve a fairer balance more likely to encourage new investment.





A port wine lodge, the Vila Nova de Gaia. The steeply-sloped Douro valley provides the special climate which produces the remarkably rich grapes for Portugal's best-known export

Glyn Genin

Mr Bruce Guimaraens, head of the Fonseca port firm, samples his product on a leisurely boat ride through the Douro. France is now the major market for the country's port, making 41 per cent of foreign purchases

Strong resistance to change to hold costs

WINE

ROBERT GRAHAM

SITTING SOLIDLY in the centre of Oporto is the massive grey granite hulk of the Merchants Association. The impressive neo-classical building, erected last century, epitomises the confidence and ancient trading traditions of this northern Portuguese city, whose wealth has derived largely from the port wine business.

The city has now established itself as an industrial centre in its own right but port remains an important mainstay of activity — not only in generating valuable foreign exchange but also in providing an enormous amount of direct and indirect employment throughout the north of the country. The business has an annual turnover of Esc 8.2bn, of which over 85 per cent is accounted for by exports.

Although production of table wines in Portugal is also a significant activity, it remains essentially oriented to the domestic market and has a much smaller added value. The port wine growing area covers the steep slopes of the valley of the river Douro that winds from the Spanish border to the sea at Oporto. The special climatic features of the valley produce the remarkably rich grapes for Portugal's best-known export.

Dr Fodinho de Almeda, president of the Port Wine Shippers Association, estimates that the grapes are bought from as many as 25,000 farmers — an astonishingly high figure in European agricultural terms. A further 4,000 people are directly involved in the production and shipping business.

Grape production is highly labour-intensive but wage costs and a growing shortage of skilled labour are forcing the industry to consider more capital-intensive methods. The industry, however, is concerned that the quality of the grape might suffer and, more importantly, that the nature of the terrain imposes its own limitations. The terraces on which the grapes grow are usually too narrow to allow the use of agricultural machinery.

Two modern methods are being experimented with: widening the terraces, or eliminating them in favour of graded slopes.

The experiments are still tentative, and no conclusions have yet been drawn. There is strong resistance to change in an industry so bound up with tradition. But it is recognised that some advance in this field must be made if production costs are to be contained.

It is estimated that the farmers in the Douro annually produce 200,000 pipes (the traditional measure due to the pipe-like shape of the barrel, which contains 550 litres). Of this, only 120,000 pipes are considered suitable quality—and this is carefully graded—for port wine production. The rest is set aside either for table wine or for use as fortifying brandy in the port making process.

Largely thanks to changing habits, production volumes have been increased in recent years. New export outlets have been found, often with lighter and cheaper blends while there has been a steady rise in domestic consumption.

The total volume of port sold last year was 132,311 pipes, equivalent to 706,538 hectolitres. Exports of 115,076 pipes were 2.3 per cent down but local sales were 35 per cent up. Since 1975 total volume sales have risen an average 10 per cent a year, and the value of sales has risen dramatically. In 1976, for instance, exports were worth Esc 1.7bn, a figure which had risen to Esc. 7.2bn by 1980. Last year's figure was perhaps exceptional because it reflects the vintage year of 1977, since port shipments are generally made three years after initial production. The value of exports has not been sustained so far this year.

France has superseded the traditional major market, which is Britain. France now accounts for 41 per cent of all foreign port purchases, followed by the UK with 14 per cent and the Benelux countries with 12 per cent. The British market continues to absorb the quality ports but has shown a clear price resistance.

The traditional pattern of sales tends to be reflected in the ownership of the producers and shippers. The Port Wine Association consists of 43 companies controlled by 21 groups. Seven of the groups are owned by non-Portuguese interests, most British. All of the formerly British family port businesses, some of which date back seven generations, are now effectively in the hands of larger groups. Thus, Allied Breweries controls Cockburns and Martinez Gassiot, Grand Metropolitan through IDV and Harveys controls Croft, Delaforce and Morgan, while Seegram of Canada controls Robertson and Sandeman. Two groups are also controlled either by French or joint Franco-British interests.

Despite the presence of the multinational drinks companies, the business remains fragmented. It might appear ripe for further concentration, but arguably—and this is the view of those in the trade itself—the specialised nature of the business militates against this. At the same time there is a growing awareness on the Portuguese side of the need to retain a certain national identity for the port wine business. The Rumasa group from Spain has been talking recently to Companha de Silva but the discussions have been inconclusive.

Ironically, one of the largest port wine groups, Real Companhia Velha, is not a member of the Port Wine Association. Because of its size it was taken over during the revolution and its owner, Sr Silva Reis, pushed aside. However, the state-appointed administrators made such a mess of running the company—including selling off some of the best stock at low prices to ther members of the trade, much to Sr Reis' wrath—that it has now been handed back. The company, still reportedly recovering from this trauma, was the only one to be badly affected by the 1974 revolution. The strong foreign presence provided protection from takeover.

Despite increased production and sales, financial charges are weighing increasingly heavily on the companies as interest rates push up the cost of financing stocks. A study by the Port Wine Shippers Association shows that financial charges represented only 7.8 per cent of turnover in 1978, but almost 12 per cent in 1980.

Stock financing presents especially difficult financial considerations as port is kept for between three and five years. At the same time, in order to preserve stocks there is a rule that no more than one-third of stocks, counted at the beginning of each year, can be exported. Not only is it now expensive to borrow money, but it also requires skill in accounting for stock replacement. The business believes that financial concessions like those provided by the French Government to French brandy companies should be made available. Failing this, the trend towards decapitalisation will continue.

There are also a number of problems to sort out with the regulatory body, the Casa do Douro, which represents an uneasy mix of farmers and port producer shippers' interests. The latter has the power to buy up excess stocks and fix prices.

There is general agreement, however, that port is internationally known, and closely identified with Portugal.

The same cannot be said about table wines. With the exception of Mateus Rose, Portuguese table wines are little known abroad. This always strikes visitors to Portugal as curious since a remarkable range of highly palatable red and white wines are available. But they are produced without economies of scale, are inadequately distributed and of uneven quality. The famous Vinho Verde, for example, a tart, slightly fizzy young white wine, does not keep well and is difficult to market abroad.

Some critics argue that the table wine producers are too unadventurous and should follow the Mateus Rose example. The Sogrape group which owns the brand staked everything on consistency, an unusual flavour and a highly distinctive bottle. Mateus Rose is probably the only Portuguese multinational product. Last year Whitbreads offered £18m for 52 per cent of the Guedes family stake. But the Government made it clear it wanted the shares kept in Portuguese hands and the Portuguese banks came to the rescue.

Big effort to expand telephone service

TELECOMMUNICATIONS

BY A SPECIAL CORRESPONDENT

IN AN attempt to raise Portugal's underdeveloped telecommunications network to European Community standards, the Government in Lisbon is to invest more than $1.6bn over the next five years.

Most of it will be allotted to the Post Office for extending and modernising its telephone and Telex services.

Portugal is at the bottom of the European league in the number of telephones available to its citizens. The State-owned Post Office aims to provide 30 telephones for every 100 inhabitants by the year 2000, compared with 5.6 telephones per 100 in 1977.

This will be coupled with a change to advanced electronic equipment, calling for vast retraining schemes for skilled telecommunications men, and expansion by private companies producing equipment in Portugal.

According to a top official in the outgoing Democratic Alliance Government (replaced on September 4 by a reshuffled version of the same coalition), 80 per cent of the proposed medium-term investment in telecommunications will go to upgrading the national telephone system, which will be completely automatic by 1985.

The number of Telex terminals available will be doubled to 16,669, while computer data and facsimile systems are also due to be introduced from 1983. Experimental services in electronic mails, video text transmissions and teleconference systems will also begin in 1983.

Portugal will join the European telecommunications satellite system in 1984 under plans to improve its international links.

In the longer term the Government hopes to convert the entire telecommunications system to an integrated microchip network flexible enough to allow the transmission of voice, text, images and computer information and make available easy communication between people, people and machines, and machines and machines.

Optical fibres will replace metal cables for transmission, and links to telecommunication satellites will be extended to private subscribers. But before these innovations can be realised the sub-structure must be improved and extended over the entire country.

The Post Office's medium-term plans are therefore related to this objective. They call for complete automatic dialling all over the country, improved international direct-dialling links, more telephone and Telex installations and the special training of electronics engineers.

The Post Office is reported to be anxious to stimulate private companies able to produce the advanced equipment needed.

At present there are two electronic companies working in this field: Standard Electrica (linked to the ITT company of the U.S.) and Centrel, a Portuguese concern which last year took over the operations of the UK company Plessey.

Apart from supplying the local market, both companies are keen to export and believe they have a good chance of selling in Africa, the Middle East and Latin America, where intermediate technology is called for.

Meanwhile, the race is on to respond to the demands of a modern telecommunications network, with all that that means in terms of capital investment, project research and development for the private sector.

Despite the challenge posed by the Post Office, naturally the biggest user of telecommunications equipment in Portugal, the industry is unhappy. According to Senhor José Pires de Matos, Centrel's marketing director, incentives need to be improved.

In an interview, he complained of the "old-fashioned Third World system" of awarding contracts in Portugal, which "does nothing to encourage local companies to expand and develop the telecommunications field."

He pointed to Britain as a good example of what he believed should be happening in this vital sector. The Portuguese Post Office should follow its British counterpart's example and, when deciding on a new project, call on local companies to collaborate in development and marketing.

Only in this way could the national industry make progress and be protected against heavy capital costs in research and development, he added.

Other industrialists have also urged a review of the open tender system of awarding contracts in an attempt to provide incentives for national industry which already faces problems of scale and a reduced local market. Portugal has fewer than 10m inhabitants.

Another problem for the telecommunications industry, says Senhor Pires de Matos, is the lack of specialised training facilities.

Engineers and technicians are trained by their employers, a situation which, he stresses, must be changed radically. Another problem is the lack, due to shortage of funds, of official encouragement for research.

Although Centrel has set up its own 130-man research laboratory, the aim must be to develop the skills needed to reduce dependence on foreign technology—especially in the growing field of microchip telecommunications.

Portugal's telecommunications system has made big strides in the past five years towards rationalising a network which, for historical reasons, had been divided between three distinct entities — the old British-owned Lisbon and Oporto Telephone Company, Radio Marconi and the National Post and Telegraph Company.

The British company which ceased operations in 1974, is now almost completely integrated into the National Post Office and a programme of modernisation is under way.

Radio Marconi, a private company in which the State is the majority shareholder, is responsible for all telecommunications links outside Continental Europe.

It was forced to adapt rapidly after the loss of the Portuguese Colonies, where it had a monopoly of communications. It has since gone ahead in modernising its equipment and improving its services, which will eventually be completely automatic.

The General Post Office is responsible for internal telephone and telex links and connections to Spain and the rest of Europe. As mentioned, it is now co-ordinating a five-year plan to equip Portugal for entry into the European Economic Community.

Although the telecommunications manufacturing industry is small, the opportunities for expansion are increasing.

TECHNOLOGY

EDITED BY ALAN CANE

Toothpaste tubes on the move

BY MAX COMMANDER

PLAYING with a train set is one thing, playing automated warehouses is another.

"The latter is a lot more interesting, for one thing you don't have to move people, nor do you care about passenger comfort," says Gordon Shimmings, chief executive of S.M. Consultants of Windsor.

As part of a design team charged with overseeing the development of what is claimed to be unique to Europe, Mr Shimmings learnt a lot about toothpaste and hair shampoo.

On average, the Elida Gibbs UK distribution centre at Whitwood, Castleford, Yorks, has in stock £6m worth of toiletries. (Unilever, of which Gibbs is a part, prefers to call them personal products.)

Appropriate

The warehouse, a few miles from Wakefield, is part of a landscaped industrial estate. Soap used to be manufactured on the site and the 150 or so locally recruited employees recruited in Geoff Boycott country still refer to the warehouse as "Soapy Joe's."

It was, therefore, perhaps, appropriate that Unilever International should decide to pick this spot to provide a central parcels distribution centre for bathroom items to replace its earlier multi-stockholding system.

The word pick is significant because the warehouse is about order picking. It's an ugly phrase but a Salford University Industrial Centre report earlier this year on Improvements in Picking Systems in Warehousing and Distribution defined the term (somewhat paraphrased) as meaning anything from the chap selecting your order while standing on a step ladder to a fully automated storage and retrieval system for pallet loads.

Gibbs system falls into the latter category. With about 20,000 customers from Mrs Smith in the corner general stores to Boots, taking 20 per cent of shipped out material, the warehouse, covering 25,000 square metres, can automatically select from 350 product lines at a rate of 8,500 packs per hour.

Input from the manufacturers is by shuttle vehicles equipped with roller beds. As these arrive at the warehouse the driver couples his articulated vehicle to matching roller conveyors in the bay.

A locking mechanism holds the rear axles to prevent them rising on their springs as the average 12 tonnes load moves into the first stage. From lorry to complete off-loading takes only about 45 seconds.

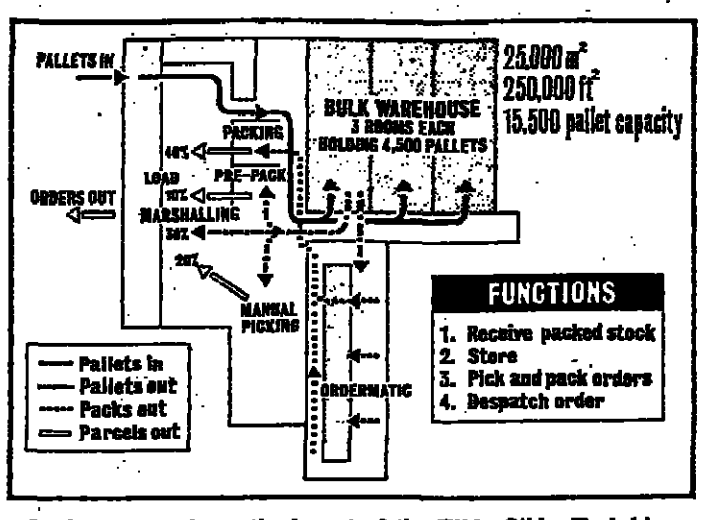
A keying station then calls forward the pallets which pass through a profile gauge where an operator keys in the pallet details; there is a reject spur for any pallets which fails the gauge.

Most pass the test and the computer issues labels after which the mini computer controlling the bulk store allocates a random storage aisle destination. The pallets are carried by driverless tractors pulling two trailers, each carrying two pallets under the control of an EMI mini computer. Progress is monitored on mimic screens in the computer control room.

At the storage aisles Jungheinrich ETX narrow aisle trucks are able to lift the pallets to a height of 10.6 m. Drivers of the four ETX's, following the instructions of the labels, cover 13,500 pallets in the 18 aisles.

After stacking, the products are dealt with by an SI Systems Ordermatic machine. This is entirely computer controlled; workload is preplanned and ensures that stock is available. The system requests packs as ordered, but in the event of any missing items the computer enters details into the system and generates a picking list showing where these items can be selected manually as required.

Output through a variety of conveyor belts and packing stations is similarly computerised with a rapid turnround as the products are sent away for distribution all over the country.



THE diagram shows the layout of the Elida Gibbs Yorkshire warehouse which can accommodate 15,500 pallets in 25,000 square metres of space. The Ordermatic consists of two machines each three tiers high and each tier offering 500 lanes.

Gibbs says that the equipment installed, while much of it is standard, has been adapted to suit its particular needs.

One result has been a reduction of, in many cases, 48 hours in the time between order and delivery. Personal products representatives taking orders from the shops and supermarkets can now virtually guarantee that 80 per cent of orders will be delivered by Friday and, says Elida Gibbs, it's getting better all the time.

The warehouse has been operating for some time but Gibbs decided to keep it under wraps until it was sure that all the problems had been ironed out.

There are still one or two minor difficulties but Shimmings and Michael Sweet, the company's distribution manager, are now sufficiently confident that they are presenting a paper on the development at the Fourth International Conference on Automation in Warehousing in Tokyo from September 30-October 2.

Elida Gibbs is on 0977 556500; SM Consultants on 075 35 58111, and Salford University Industrial Unit on 061 736 8921.

OKI leap-frogs to quadruple capacity of dynamic RAM

OKI, the Japanese electronics manufacturer, last week announced a 256K dynamic RAM. By so doing, it appeared to leap-frog the current state of the art memory technology to produce a device that has four times the capacity of today's 64K dynamic RAM.

The 256K dynamic RAM is seen as the most important future product of semi-conductor industry. It is expected to be used in all future computers.

U.S. and Japanese semi-conductor makers are battling over the still infant market for 64K dynamic RAM, with all parties now believed to be selling the devices for less than they currently cost to make. This is in order to establish a share of the projected billion dollar market.

Dismissed

The Japanese company took its U.S. competitors by surprise with the announcement in Tokyo that it was selling "engineering samples to selected customers." No U.S. semi-conductor maker has yet reached this stage in the development of a 256K dynamic RAM.

U.S. semi-conductor makers were quick to dismiss the Oki announcement. "We could do it too, if we wanted to," said Robert Noyce, Intel vice chairman. He felt that the Japanese company was staging a show of strength, as much for its home audience as for the rest of the world.

Oki was excluded from the Japanese Government-sponsored VLSI development programme which spawned the present generation of Japanese semi-conductor devices, Noyce pointed out. "This is their opportunity to say we did it on our own," he said.

Despite Noyce's comments, however, Intel is going through a painful redesign of its own 64K dynamic RAM. After launching the part earlier this year, Intel was forced to withdraw from the market when parts began to fail soon after they were delivered to customers. Intel now expects to have products ready to ship before the end of this year.

LOUISE KEHOE

Converter

A NEW 16-bit analogue-to-digital converter designed specifically for use in pulse code modulation audio applications has been announced by Burr-Brown of Watford, Hertfordshire (0923 33837). Known as the PCM 75, the converter provides a 16-bit digital replica of an analogue input signal within a maximum of 17uSec and is, therefore, fully compatible with PCM audio.

Sanyo's blue light

A REPORT from Sanyo in Osaka indicates that the company has successfully developed a light emitting diode (LED) that produces blue light.

Problems of producing large enough crystals of the desired material, silicon carbide, have been solved by a method described as "plating or sheeting." The resulting product in diode form emits a clear blue light with 3.5 volts applied and a current of 20 milliamps.

Sanyo hints that this may point the way to a flat television picture display device, but no dates are provided. Red and green devices are, of course, already on the market.

Multi-peripheral

OASIS 820, a multi-peripheral exerciser which can be used by service engineers to test, drive or demonstrate any computer peripheral on mini and micro computers has been introduced by Hal Computers of Weybridge. More on Weybridge 48346.

POINTERS

Fully-fledged at point of sale

CHEAPER ELECTRONICS and large scale production in Japan has enabled Norfrond of London to offer what it describes as a fully-fledged point of sale terminal for £1,500.

The market Norfrond is aiming at contains the many thousands of small shopkeepers that bought simple ECRs (electronic cash registers) or electromechanical machines after decimalisation—machines that are now at or past the end of their lives.

This new machine, claims the company, should be capable of converting large parts of the electronic cash register market into point of sale.

Point of sale (POS), essentially means the recording and processing of all the useful data connected with each transaction.

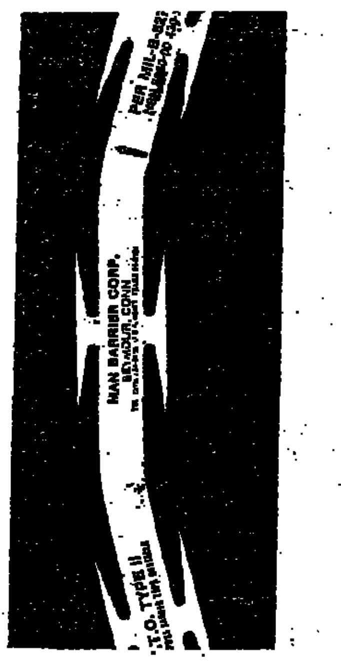
Norfrond believes that this is the first time that even the smallest retailer can afford to capture data automatically—an advantage still only enjoyed by the big multiple and department stores in the main.

The tape can be dealt with by a bureau—field trial customers doing this report inventory reductions of 40 per cent and sales increases of 7 per cent for example — or the unit can be used in conjunction with a microcomputer such as the Intertec Superbrain.

Then, a stock control and accounting system able to support 6,000 product lines can be made available for under £8,400 with one terminal. The price includes a 150 character/sec printer, software and staff training.

But the terminal can be used with most computers states Norfrond. It is RS232 compatible and full sales transaction histories are recorded on a Philips mini-cassette. More from Phil Greatore on 01-960 5588.

Barbed wire has it taped



THE UNPLEASANT object (left) is technology applied to a traditionally non-technical product — barbed wire.

American in origin, it is being marketed in this country by Industrial and Security Supplies of Bath in Avon (0225 312668).

The company foresees demand for this "barbed tape" in the wake of the summer's civil disturbances. It says that the traditional perimeter fence, chain link fencing with three lines of barbed wire along the top, is no longer adequate. But razor barbed tape has "barbs sharp enough to penetrate most clothing, the tape is difficult to cut and gives no easy support for any intruder to climb over."

Connection system

THE CONNECTION system called LSA+, made by The Krone Company of Stonehouse, Gloucs, is to be second-sourced by BICC-Burndy, the St Helens-based connector maker.

The products allow fast, easily installed terminations of discrete wires by an insulation displacement technique using a special hand tool which inserts and cuts the conductor to the correct length.

Dunlop service

DUNLOP in Birmingham plans to market its support technology services to outside companies. Dunlop believes many companies may be interested in buying know-how backed by a fast analytical service. Among a long list of offerings is chemical analysis, environmental monitoring and technical glass blowing. More on 021 373 2121.

Immersion heater resists corrosion

AN IMMERSION heater for the electroplating and chemical etching industries which is said to be resistant to corrosion has been developed by a UK company, E. Braude Corrosion Control.

The heater, the Impervio Polaris, is manufactured from Fluorocarbon polymer materials including PVDF and Teflon and is marketed for heating all known commercial corrosive fluils up to 100 deg C.

Braude believes that the plastics construction solves the problems of corrosion experienced with metal jacketed heaters and the delicacy of silica or Teflon coated devices.

The choice of units ranges from 1.5 kilowatt at £90 to (kilowatt at £190. The heaters are in the form of panels which can be fitted to the sides or bottom of immersion tanks.

With an eye to export, the units function on 110 volt as well as 200/220. More from Braude on 0252 876123.

University satellite ready for launch

SURREY University's UOSAT satellite (details of which were reported on this page on August 24) is now set for launch on Sunday, September 20.

A team from Guildford, where Britain's first educational satellite was built, have been in the U.S. helping to mount the craft on the Delta 2310 rocket at the Western Test Range, Vandenberg, California.

UOSAT is intended to encourage schools and people with no previous experience of working with satellites. A voice synthesiser will "speak" information in English and can be received on any standard narrow band FM radio with a simple fixed aerial.

Transmissions will be on 145.825MHz. A small earth pointing came can be used to display on a domestic TV set using the same radio and aerial plus an information decoder and memory device.

The university has set up a telephone information service on Guildford (0483 61202) to provide daily bulletins; the BBC Cefax service will also carry daily information, updated daily on page 258 (BBC2) as will the ITN Oracle service.

If the launch is successful on the 20th the first possible sighting in the UK will be between 13.15 and 13.24 hours BST.

MAX COMMANDER

LOMBARD

Banking help for small firms

BY JOHN ELLIOTT

THE RUSH in the past three months by banks and small businessmen to use the Government's new loan guarantee scheme should be causing some embarrassment among many of the banks' senior executives and among senior civil servants who for several years blocked proposals for such a scheme.

Services

The banks argued that their services to small businessmen were so excellent that Government-backed guarantees were unnecessary and might even be dangerous, by making businessmen become over-borrowed.

Senior civil servants in the *Department of Industry and the* Treasury supported the bankers' case and agonised about the potential cost to the Exchequer of a rash of small business failures. They resisted demands from small business lobbyists and successfully nobbled an inquiry set up in 1978 under the auspices of the National Economic Development Council so that it produced a convoluted and somewhat inconsequential report.

Now, within only 3½ months of a scheme being introduced, loans totalling over £20m have *been approved for more than* 600 businesses. Major banks and institutions such as Barclays, Lloyds, Midland and the Industrial and Commercial Finance Corporation are each involved to the tune of £3m to £6m.

Such a response must prove there is a need for such a scheme and that the bankers and civil servants who blocked it earlier were wrong. The only argument I have heard to rebut this (apart from the suggestion that one's attitude might change in a year or so when the bankruptcies start to roll in) is that the time would not have been so ripe in 1978 as it is now. In those dark days of the *Labour Government it is* argued, before the present Government's attempts to encourage an entrepreneurial *revival, there would not have* been such a good response.

The aim of the scheme—currently run as a three-year experiment—is to see whether local bank managers are too restrictive and unimaginative when dealing with small businessmen who have little personal security, no track record, or who have high-risk projects. The Government is underwriting 80 per cent of loans up to £75,000 in the hope that this will increase the amount of money being lent.

It is too early to judge whether all the £20m or so is additional lending. In some cases the scheme is being used to change the shape, or increase *the size, of financial packages* totalling as much as £250,000. There is also a suspicion that some bank managers may be ignoring their head office instructions and using loan guarantees to allow businessmen to over-run their normal loan limits. But no one in the City or in Whitehall is suggesting that the scheme is being seriously misused.

What seems to be happening *indeed is that older, more* conservative local bank managers and senior executives are having to admit that their *services to small businessmen may not have been so perfect as they have always claimed,* and that they may have been too restrictive.

Anything that jolts the attitudes of such managers must be of benefit. One constantly hears from small businessmen *how a certain high street manager* had no interest in their problems, refused them modest overdrafts, and gave them no *encouragement. Then a bank* a few yards down the street welcomed them and gave them the overdraft that they wanted.

For every businessman one hears of moving for example from Barclays to the Midland—the two major clearing banks with the best national reputation for helping small firms—there is another who has moved in the opposite direction.

Consideration

The existence of the loan scheme—and the publicity that its rapid usage will generate—should therefore help to shake up the less adventurous managers and push more banks into *giving more consideration to* the needs of the small businessman.

Even Sir Keith Joseph would *agree that that would be a* proper use of Government resources, acting as a catalyst to stimulate private sector reforms.

Getting to know onions that flower

THIS YEAR I intend to get to know by onions. I will not be taking a course in vegetable maintenance or sex and the single shallot.

My gardening is flower gardening with occasional diversions into fruit.

Onions, for me, are bulbs with late spring flowers. Their sellers apologise freely for their dubious scents and their family associations, but unless you happen to sit or step on them you are unlikely to notice the smell. They can appeal to the eye without upsetting the nose.

I refuse to believe that beds of flowering onions will make me weep, so I am searching the catalogues and ranking their wide selection by memories, their track records and the huge variations in price. The bulbs ought to be in the ground during the next month, so you should act on the idea if it appeals to you.

Flowering onions belong in the lists under allium, the Latin root of our European word for garlic. It has been an open secret that many good garden bulbs lie among some horrible weeds and insignificant *rubbish, but my own interest* began in conversation and in a visit to a grand garden.

Talking to a devoted fellow buyer of bulbs, I was *startled* to hear that his garden now house over 35 different types of alium and that, every one of them was as valuable, in his view as a modern tulip. Some had been collected on holidays to Turkey and Iran and would not easily be found in the catalogues. Others were listed every year at modest prices, though nobody of my acquaintance seemed to grow them.

Last summer, at Sissinghurst Castle, I saw what these unions could do if given their head. The garden uses the old bush roses for so much of its backbone and has to find the right *shapes and colours in the plants* which edge their borders and compete with the roses' roots and prolific flowers of a fading purple pink.

From its earliest years the aliums have found their place in the sun. Their purple pink heads of flower match the shade of the old-fashioned rose, as only Vita Sackville-West would have recognised. The heads themselves come in bold shapes and sizes which would need the eye of a master artist for a proper portrait. Flowering onions bunch a mass of small individual flowers into a rounded or drooping heads, like the lights in a large chandelier. Their colour is only a part of their interest.

The best known and most impressive is the one called Albo-pilosum. This onion has huge rounded heads on two-foot stems, each of which is a mass of star-shaped flowers of lilac pink. Their petals are so thin and finely spaced that the flower will glisten in direct sunlight.

The bulbs are easily grown in any open soil and like all flowering onions should be planted at a depth which is twice their diameter. Five or six bulbs of this variety go a long way and could be placed at intervals near the front of a long border.

This old favourite is only the beginning of the story. At Sissinghurst, I fell for an exquisite relation called Cernuum whose heads of deeper rose-pink *flowers droop* downwards like small tubes at a height of only a foot. This is a marvellous plant once you *have been taught* to look at it seriously. The stems are green-grey, like a chive's, but the flowerhead is remarkably subtle in line and colour.

I cannot understand the price which big nurseries charge for it, £1.50 for five, as it seeds itself in any well-drained soil and is easier to grow than any lobelia. If you begin with half a dozen and save their seed in August, you can build a long edging quite quickly. Its Latin name means the "dooping onion," but I assure you that it is a bulb of the highest quality.

The flower shows have begun to remind us that the taller onions are bulbs of extreme *sophistication*. The one called Skuzum takes a front seat in RHS exhibits, and although it is not cheap, half-a-dozen bulbs of its tall-stemmed flowers would deserve a few pots to themselves. Up to 3ft tall, they break into heads of a distinctive green and maroon.

GARDENS TODAY

BY ROBIN LANE FOX

I find them very appealing and would never agree that this onion's moment of glory comes only when the flower is dead and the head dries out to an elegant brown skeleton, a flower arranger's dream for the winter.

The star of the family comes from Israel. Sold as Schubertii, I doubt if it has musical associations, but it drives the lists into a tangle of botanical Latin in order to describe it. "Broad canculate leaves surround an inflorescente with unequal pedicels," says Amands of Beethoven Street, London, W10, which stocks most of the rarer varieties.

To the plain eye the flowers make heads the colour of a good lilac rose and its base of small stars flare outwards into long whiskers, like an enlarged scabious. *As you gather, they* are like nothing else in a May garden and although prices begin at £1 a bulb I assure you that these are exquisite flowers which will persist in any sunny and open site.

Lower down in price come an indiscriminate crowd, some of whom give the family a bad name. It is a shame that most growers only list the small yellow Moly and the various Mediterranean whites. I refuse to believe that this Moly was the magic plant of the Odyssey. It runs uncontrollably and its strong yellow flowers give up to their popular name of golden garlic.

The white neapolitanum is not quite so bad. It has a surprisingly sweet smell and is the garlic which wins Oscars in the late night movies. Vampires turn grey at the sight of it, so never travel in Bavarian castles without a bulb or two in your sponge bag. Outdoors it is less attractive and runs around like a disorderly Star of Bethlehem.

These and others have brought some fine relations into disrepute. The name sphaerocephalum might deter you, but I am doubling up on this cheap and charming onion for my borders next June. Its flowers are a deep rose purple and stand 2 ft high in pointed heads, packed tightly like a shapely thistle. In nature, it extends from the Alps to Iran, but I think that gardeners have *missed a good trick here for* the gap before the roses in early June.

A slight untidiness in stem and leaf stops the blue flowered onions from being first-class flowers, but they are remarkable value at prices which allow them to be massed indiscriminately.

At Wisley it convinced me recently that it ought to fit in among late summer border plants and early roses. The blue is surprisingly pure in a family which tends to sombre pinks. The further east the onion's home, the nearer it drifts to the colour of the sky. This one comes from Turkestan.

The allium, in short, is not a dull family. New ones keep coming in from Kashmir and Asian expeditions, while we all look at the European garlics and back away like harassed vampires. Amands has in its list a glorious one called Stipitatum whose flowers are six inches wide and mix purple with a green surround. At £5 a bulb, it is not just another chive.

Most of these flowers dry into exquisite shapes and enjoy a second life as a winter decoration indoors.

They will grow quite freely from sed and spread into any late spring and early summer garden. If you keep your eyes open, there are many more to relish in this enormous family, an undervalued group among the many spring bulbs which have been crossed and bred and endlessly explored.

The return of Shoot A Line

THAT ONE-TIME top-class filly, Shoot A Line, who in a short space of time last year won the Cheshire Oaks, Ribblesdale Stakes, Irish Guinness Oaks, Yorkshire Oaks and the Park *Hill Stakes*, makes her long-awaited reappearance at Ayr today.

Shoot A Line has not been

RACING

BY DOMINIC WIGAN

out since her poor show in Dusseldorf's Group One Grosser *Preis von Berlin. She* tackles Castle Keep, Shotgun, Prince Lorenzo and Lusitanica in a somewhat disappointing affair *for the £15,000 added Doonside* Cup.

Dick Hern proved yet again at Goodwood on Monday through Prince Bee that he has no peer in the art of training an older horse to do itself full justice following a lengthy absence. Backers should not be wary of suporting Shoot A Line on the score of fitness.

Today's mile and three furlongs trip is now on the sharp side for her. But Shoot A Line should make her class tell against the luckless Castle Keep, who has found one too good in each of his last four races.

While a high proportion of the leading riders are in action at Ayr and Brighton, Lester *Piggott will almost certainly be* edging closer to the 150-mark for the season at Yarmouth. There the still under-rated *Military Band strikes me as his* best prospect of the afternoon.

Mr Jim Joel's tall Sassafras colt has taken a long while to *produce the form which Cecil* has always felt him capable of, but the trainer's patient policy seems to be paying off.

Military Band was an easy winner last time out at Thirsk where he was apprentice-ridden. He should find no difficulty disposing of Sunset Ray and Franciscus in the mile and three-quarters Nelson Stakes. Military Band will be bidding for his third course and distance victory.

Half an hour later there should be little in it between Sticky Habit and Countess Olivia in the Golden Jubilee Challenge Trophy. With Mark Rimmer claiming 3 lbs on Countess Olivia, the course winner, the Pritchard-Gordon filly may be *just good enough* to take advantage of the 8 lbs she receives from Sticky Habit.

AYR

2.00—Majestic Maharaj
2.30—Shoot A Line***
3.00—Bunter*
3.30—Escapist
4.00—Bulldozer
4.30—Miss Nelski

YARMOUTH

2.45—Hillsdown
3.15—Military Band**
3.45—Countess Olivia

TV/Radio

† Indicates programme in black and white

BBC 1

6.40-7.55 am Open University (Ultra High Frequency only). 12.30 pm News after Noon. 12.57 Regional News for England (except London). 1.00 Pebble Mill at One. 1.45-2.00 Postman Pat. 3.53 Regional News for England (except London). 3.55 Play School. 4.20 Puzzle Trail. 4.35 Stopwatch. 5.00 John Craven's Newsround. 5.10 Playhouse. 5.35 Willo the Wisp.

5.40 News.
6.00 Regional News Magazines.
6.25 Nationwide.
6.55 The Wednesday Film: "Killer on Board."
8.30 Fighter Pilot.
9.00 Party Political Broadcast by the Labour Party.
9.10 News.
9.35 Sportsnight.
11.00 Down and Out.
11.50–11.55 News Headlines.

All Regions as BBC 1 except as follows:

Cymru/Wales—12.57-1.00 pm News of Wales. 6.00-6.25 Wales Today. 6.55 Heddiw. 7.15 A Dro I Dro. *7.40 Angels. 8.05-8.30* Taxi. 11.50 News Headlines, News and Weather for Wales.

Scotland—12.54-1.00 pm The Scottish News. 6.00-6.25 Reporting Scotland. 9.00-9.10 Party Political Broadcast by the Labour Party in Scotland. 9.35-11.00 Sportscene from Scotland. 11.50 News Headlines, News and Weather for Scotland.

Northern Ireland—12.57-1.00 pm Northern Ireland News. 3.53-*3.55 Northern Ireland News.* 6.00-6.22 Scene around Six. 11.50 News Headlines, News and Weather for Northern Ireland.

England—6.00-6.25 pm Look East (Norwich); Look North (Leeds); Look North (Newcastle); Look North West (Manchester); Midlands Today (Birmingham); *Nationwide (London and South East)*; Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth).

BBC 2

6.40-7.55 am Open University.
10.30 Liberal Party Assembly.
11.00 *Play School.*
11.25–12.30 and 1.45 pm onwards Liberal Party Assembly from Landudno.
4.50–6.55 Open University.
6.55 A Witness to Change.
7.25 News Summary.
7.30 Animation at Cambridge.
7.40 Collecting Now.
8.10 The Body in Question.
9.00 Party Political Broadcast by the Labour Party.
9.10 Chesney Allen in "The Old Boy Network."
9.50 Enigma.
10.20 Jack High.
10.50 Newsnight and Liberal Assembly Report.
†11.45 Laurel and Hardy in "Dirty Work."

BBC 2 Scotland only: 9.00-9.10 pm Party Political Broadcast by the Labour Party in Scotland.

LONDON

9.30 am Wonders of the Underwater World. 10.00 Animated Classics. *10.45 Liberal Party* Assembly. 12.00 Cloppa Castle. 12.10 pm Rainbow. 12.30 The Music of Man. 1.00 News plus FT Index. 1.20 Thames News. 1.30 Crown Court. 2.00 Live from Two. †2.45 "An Inspector Calls," starring Alastair Sim. *4.15 Porky Pig & Daffy Duck. 4.20* Animals in Action. 4.45 The Squad. 5.15 The Brady Bunch.

5.45 News.
6.00 Thames News.
6.35 Crossroads.
7.00 The Paul Squire Show.
7.30 Coronation Street.
8.00 Only When I Laugh.
8.30 Benny Hill.
9.00 Party Political Broadcast by the Labour Party.
9.10 Diamonds.
10.10 News.
10.40 Snooker: Jameson International Open Championship.
12.00 The Andy Williams Show.
12.25 am Close: "Sit up and Listen," with Katharine Whitehorn.

All IBA Regions as London except at the following times:

ANGLIA · **ATV** · **BORDER** · **CHANNEL** · **GRAMPIAN** · **GRANADA**

Granada Reports. 12.45 Wednesday Matinee: "So Long at the Fair," starring Jean Simmons and Dirk Bogarde. 5.15 Happy Days. 6.00 Granada Reports. 6.25 This is Your Right. 12.00 George Hamilton IV.

HTV

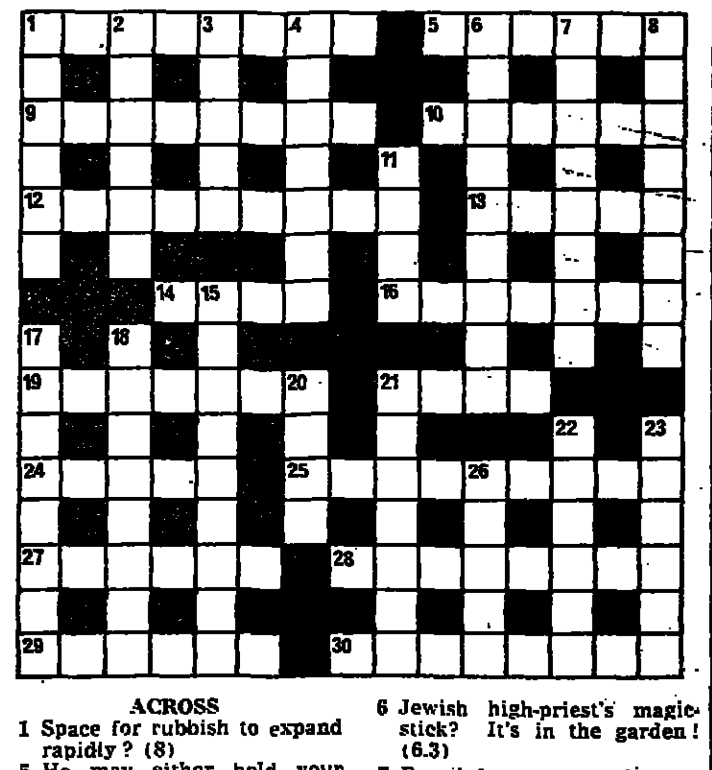
9.55 am Young Ramsay. 1.20 pm HTV News. 2.45 "Passion," starring *Cornel Wilde, Yvone DeCarlo, Raymond* Burr and Lon Chaney. 5.15 Dick Tracy. 5.20 Crossroads. 6.00 Report West. 6.30 Benson. 10.38 HTV News.

HTV Cymru/Wales—As HTV West except: 12.00-12.10 pm Ffalabalam. 4.45-5.15 Sion Bili. 6.00 Y Dydd. 6.15 Report Wales.

SCOTTISH · **SOUTHERN** · **TYNE TEES** · **ULSTER** · **WESTWARD** · **YORKSHIRE**

RADIO 1 · **RADIO 2** · **RADIO 3** · **RADIO 4** · **BBC Radio London** · **London Broadcasting** · **Capital Radio**

F.T. CROSSWORD PUZZLE No. 4,673



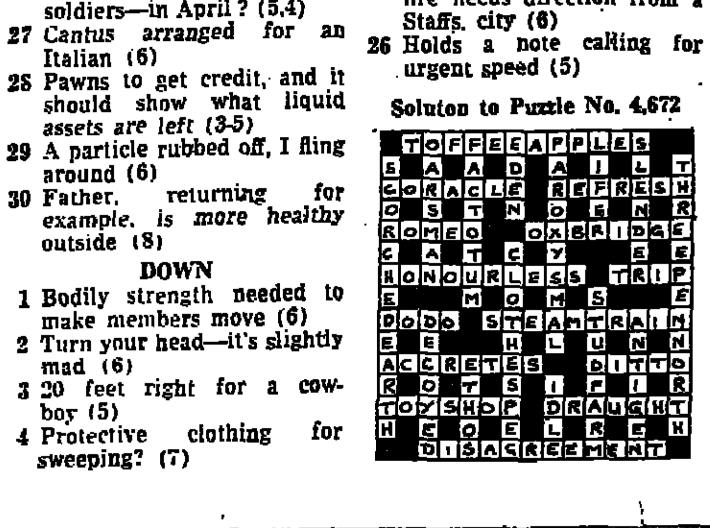
ACROSS

1 Space for rubbish to expand rapidly? (8)
5 He may either hold your money, or take it if you're unlucky (6)
9 Hunter from the South is a tall robust chap (8)
10 Toned up a couple and died (6)
12 More vulgar proceedings in court, but it's not capital (5-4)
13 Illustrious type of city that Bethlehem excels (5)
14 Business transaction in wood (4)
16 It was a supernatural event of rare device (Coleridge) (7)
19 Turn from the right course for each green (7)
21 Produced cheese in return . . . (4)
24 . . . to cook in the right oven (5)
25 Ceremonial display by soldiers—in April? (5,4)
27 Cantus arranged for an Italian (6)
28 Pawns to get credit, and it should show what liquid assets are left (3-5)
29 A particle rubbed off, I fling around (6)
30 Father, returning for example, is more healthy outside (8)

DOWN

1 Bodily strength needed to make members move (6)
2 Turn your head—it's slightly mad (6)
3 20 feet right for a cowboy (5)
4 Protective clothing for sweeping? (7)
6 Jewish high-priest's magic stick? It's in the garden! (6,3)
7 Recoil from sums paid as a bribe . . . (8)
8 . . . but one who pays to recover his property from uncle (8)
11 Call time? (4)
15 Observes a retinue although suffering from amblyopia (3-6)
17 Appetising drink to copy—right? If it gets shaken! (8)
18 A footnote interrupting legal proceedings requires three recesses (8)
20 Cat on top of eruditious volume (4)
21 Type of spike used by fishermen with large fish on end of rope (7)
22 Cruel pervert is sorrowful one way (6)
23 One who puts fuel on the fire needs direction from a Staffs. city (6)
26 Holds a note calling for urgent speed (5)

Solution to Puzzle No. 4,672



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THE ARTS

Television

Tune in next week

by ANTONY THORNCROFT

As is widely known, and generally accepted, the seasons, major festivals and the leisure activities of the nation are now ordered by the television companies. The last week has seen the start of autumn when new series tumble through the screens with the inevitability of leaves from the tree. Once again a social life is rarely attempted before a dip into the Radio and TV Times.

The real heavyweights—*Borgias* from the BBC, *Brideshead Revisited* from Granada—are yet to appear, but already a substantial crop of hopefuls has come to judgment. In terms of cost the most considerable is *Winston Churchill: The Wilderness Years* (Southern) which, in a couple of months of Sundays, pursues the great man's career through its bleakest patch, the late 1920s and 1930s.

Angela Rippon and Lionel Blair in Angela Rippon meets the Hoofers

In many ways it is a perverse venture. Although based on Martin Gilbert's scrupulous biography, it depicts Churchill at his worst—vainglorious, politicking, moody and unsuccessful—and with the politics of the age so undistinguished the main interest is in the impersonations of forgotten statesmen by famous actors. Of course you can't avoid hindsight and they come across as a second rate crew—devious Chamberlain, smooth Hoare, shattered MacDonald; but marvellous cameos for Eric Porter, Edward Woodward and Robert James. The Press lords are there in all sizes—enormous Rothermere (Stratford Johns), a Marxist caricature of the breed; medium Beaverbrook (perhaps Phil Brown is too bulky for the part); and whispy Brendan Bracken, of particular interest to FT readers as a former proprietor of this newspaper. Tim Pigott-Smith excellently conveys the lonely young man on the make and still finds room for some charm.

Robert Hardy plays Churchill as attractively humanly fallible and the domestic tensions with wife and family compensate for the political tedium. The period detail also gets in the way—the shots are too carefully framed; the nudges a slight too obvious—and the excessive cuts to the U.S., dragged in to help an American sale, clog the action. So far this is a series to casually enjoy: it does not command attendance.

A much more run-of-the-mill new series earlier on Sundays, *Blood Money* on BBC 1, has a tighter grip. Its author, Arden Winch, is a reliable television writer and on the basis of the first two episodes everything is right on target here. The first, covering the kidnap of a young aristocrat by a revolutionary group, moved like an electric hare; the second slowed down but built up the two adversary groups who, in turn, are nicely balanced. The Law has self-made Bernard Hepton matched with superior Michael Denison. The Gang is broadly enough based to spread the blame for its nastiness—one German, one Irish, one ex-SAS, and a toff, whose presence has yet to be explained. *Blood Money* was toned down once — the kidnapped child was originally to have been a royal; now his father heads the United Nations—but generally there is little dilution: even the terrorists are allowed to make their point. *Blood Money* may be just a thriller but it also includes arguments about democracy and the State more succinctly presented than in most discussion programmes.

So far it has the edge on the other new creeper, *The Day of the Triffids*, also BBC 1, which opened slowly. The essential background notes were skilfully presented by John Duttine while blinded and bandaged after a Triffid sting but the problem is going to be in making the killer plants credible. At first sight they were too reminiscent of gladdies.

Another feature of television's dominance of national life is the way it creates and nurtures its own and markets them incessantly. The last week has seen programmes about two of the medium's most successful products — Angela Rippon and Pamela Stephenson. In *Angela Rippon Meets* (BBC) the lady was catapulted around the world at our expense investigating dance. Actually it was good stuff, but every short sequence could have done with its own programme, if not series. As soon as we had penetrated Harlem we were transported to suburban Essex. I wanted a little more about the tap classes for young blacks and a lot more about the Clacton dance school and the life of the young dancers in the back row of second-division variety shows. The audition, when hundreds of hopefuls were reduced in what seemed like seconds to a handful, cried out for explanation. Why did choreographer Duggie Squires choose that dull blonde rather than the exciting brunette? But as usual the subject was submerged by Ms Rippon. Here is an Angela Brazil head girl if ever there was one — nice and respectable, but not wet; as her dance sequence with Lionel Blair at the end revealed, she is a goer, too. The programme did not lead anywhere, but the scenery was attractive.

Pamela Stephenson seems to like the camera even more than Angela Rippon does. *Behind the Scenes* (BBC) showed her in ferocious command; Mrs Thatcher would look shy and retiring beside her. Like many instant personalities, Pamela Stephenson is not a fantasy figure created by viewers; she is very much like her second-hand image 24 hours a day. She was not mocking the perversions of the dirty-mac brigade as, thrust into a school uniform, she tried to coax dirty jokes from a numbed group of sixth-formers; she was eager to swop stories. She made the point that her face is featureless; that is why by dressing up (her favourite activity) she can transform herself into, well, Angela Rippon. She is obviously that very bright girl who just cannot accept school discipline. Angela should summon her for a pow wow after prep and tell her that little girls who try to shock other people all the time are really lonely and insecure. Pamela Stephenson certainly seems happier hiding herself in a role than coping with reality. There must be a better use for all that talent.

Television is offering really good programmes at the moment: let us hope that the Fourth Channel does not dilute the resources. The power of the medium is its ability to take the viewer to previously unknowable places — like the dressing-room of a boxer before a big fight. In *Minter* (Granada) we were with the British middleweight waiting for the call to the ring in Las Vegas to fight a particularly hard opponent. It was a pity that the cameras, inevitably restricted to the ringside, did not convey the pain of the actual fight very well. The sneak insights into the build-up, and the remarkable comradeship after the bout between the opposing forces, suggested that boxing is a much tougher and less glamorous activity than most other sports. Once again this rare opportunity to experience another world deserved a longer and deeper treatment.

Lyric Studio, Hammersmith

The Case of David Anderson QC

by B. A. YOUNG

"What you are seeing is not just a play," says the programme. "It is a public inquiry." Comments on the direction (by Chris Parr), the setting (chairs, tables and so on by Chris Kinman) and the acting (Corin Redgrave plays the title role) are thus irrelevant; what matters is the clarity with which the case is presented. Clarity, but fairness. The object of this play by John Hale is to put all the details before us, and ask us to make up our minds.

The accusations against David Anderson consist of a long series of charges of accosting women, usually with the bizarre decoration that they were to practise judo throws. In the first such case it was definitely established that he had been wrongly identified. In 1964, when he was Solicitor General for Scotland, he was incontinently sacked when the Lord Advocate charged him with this "long string of offences"—none of which had been satisfactorily proved.

In a television programme years later, authority gave its opinion that "if you were at one of these events, you were at all." It seems to me that if he was misidentified at one, he might have been misidentified at all.

Various explanations have been put forward to account for these matters. At the end of the war, Anderson, an officer in the RNVR, had been involved in an operation in Norway that brought him to the attention of Russian intelligence; and as soon as he had been forced to resign in 1964, Russian intelligence was at him again. Did they perhaps build up this case against him? Or was it true, as a psychologist averred, that he suffered from "hysterical dissociation," so that although he did these things he forgot about them afterwards.

Whatever the cause, Anderson maintains that he was innocent, that any confessions he made were untrue, that the Government were unwilling to allow the case to be fought because of such recent scandals as Profumo and Philby, that in the end he had simply become a man of unstable reputation. Justice held an inquiry, a petition was made that was signed by thousands of decent, responsible people. Successive governments have done nothing.

It would be a singularly stone-hearted audience that could hear this account of the Anderson case, which in its three hours contains infinitely more detail than I have room for here, and not feel that something ought to be done—not least because three Ministers at the Scottish Office all joined in the call for a public inquiry when they were in Opposition.

Leonard Burt

David Peate, Corin Redgrave and Michael Mackenzie

New Colin Welland play for Hammersmith Lyric

Roll on Four O'clock—written and directed by Colin Welland opens at the Lyric Hammersmith on Monday October 5.

Based on Welland's own experience as a teacher, the play is set in a Northern boys secondary modern school in the late 1960s. The teachers are played by Windsor Davies, Philip Martin Brown, Shaun Curry, Bernard Gallagher, John Jardine, Michael McStay, Glyn Owen, Tony Selby and Clive Swift. The pupils are played by Paul Pernington and Nick Campbell plus boys from schools in Hammersmith.

The designer is Chris Kinman, lighting designer Leo Liebovici.

The Press night is Monday October 5 at 7.00pm (previews October 1, 2 at 7.30pm, October 3 at 4.30 and 8.15), then Mondays to Fridays at 7.30, Saturdays 8.15, matinees: Thursdays at 2.30, Saturdays at 4.30. Ends: October 24.

Locarno/Pula

Flicking through the film festivals

by RONALD HOLLOWAY

Under the able direction of Jean-Pierre Brossard, the Locarno International Film Festival has carved out a niche in the festival circuit by combining quality Third World cinema with the discovery of new independent European and American talent, the icing on the cake being retrospectives and other relevant side-attractions. This year, "*L'Algérie vue par son cinéma*" was in the spotlight, the most dynamic national cinematography on the African continent; a Brossard-edited documentation-booklet covers everything from Mohamed Lakhdar-Hamina's pathbreaking *Le vent des Aurès* (1966) to Brahim Tsaki's *Les enfants du vent* (1980), the latter a children's film of striking and moving images that merited a special midnight screening on the Piazza Grande.

Another important retrospective, "American Cinema in the Fifties," was not only a crowd pleaser but demonstrated how Hollywood aptly wrote between the lines on the machinations of the McCarthy Hearings in even innocent comedies like George Cukor's *Born Yesterday* (1951); again, a documentation-booklet edited by Philip Dubuquoy, proved invaluable by placing each production year in its cultural and political context. All this, and a series of new Swiss productions in an information section to boot.

Quite appropriately, an Indian film won the Grand Prix: Rabindra Dharmaraj's *Chakra* (*Vicious Circle*), one of the half-dozen sociocritical feature-film projects sponsored last year by the newly activated National Film Development Corporation, offers a disconcerting view of Bombay slums from a personal and humanistic perspective. *Chakra* also won the Ecumenical Prize at Locarno, thus confirming a director's reputation and assuring the film's broad distribution — the 33-year-old Dharmaraj, unfortunately, died tragically early this year.

Two Brazilian films took the same objective stance on the brutal conditions afflicting the poor and underprivileged in heavily populated areas: Hector Babenco's *Pixote*, about a pre-teenager (this name means "Peewee") who assembled all the experiences needed in a correction-home to survive on the streets; and Oswaldo Ribeiro Candelas' *Roses of the Street*, on prostitution on lorry routes to the capital.

As for new directors in Europe and America, the award to Gabor Body's *Narcissus and Psyche* (Hungary) was deserved: it is indeed amazing how a Socialist country can produce a breathtakingly beautiful film in an abstract, experimental vein, whereas Western companies with an eye on the box-office would have junked the project at the outset. Kathryn Bigelow and Monty Montgomery's *Breakdown* (U.S.) experimented with American pop-art images on the screen in a tale of big-city motorcyclists stranded in a small, bigoted Florida town in the 1950s, but the story lags and then sinks under the surface of comic-strip one-liners à la Roy Lichtenstein. Another image-packed entry was Radu Gabrea's *Fear Not, Jacob!* (West Germany), a complex Passion story set in a distant time and country during Holy Week: the principal figure is a Jewish innkeeper pursued by an antagonist that is as fancied as real. Documentarist Percy Adlon will be better known after his first feature, *Céleste* (West Germany), is critically assessed at the forthcoming London Film Festival—for now, it treats the personal contact Marcel Proust had to his country maid, Céleste Albaret, during the writing of his immortal *A la recherche du temps perdu*, a *Kulturfilm* in the best sense of the term and featuring Eva Mattes in her best role to date.

The Pula Festival is 28 seasons old, the showcase of Yugoslav feature films. It is staged in the magnificent Vespasian arena holding up to 10,000 excitable spectators. The public cheers everything that moves intelligently on the screen, and the only sure sign of displeasure is a loud, but still friendly, whistle. By a chance of history, this tourist town on the Istrian peninsula was vacated by Italians at the end of the Second World War, thereby necessitating a flood of immigration from various Yugoslav republics. Thus it is that even the corniest comedy and the dullest "Eastern" partisan action film will automatically draw a partial, often enthusiastic audience. Pula is surely the liveliest film festival on the circuit.

This year, the festival ran for 12 evenings of packed arenas, to enable each feature film a share in the fruits of spontaneous reaction. Only two films were shown in the Army Center for industry officials and foreign visitors, in contrast to half the programme in the past. The change in the schedule was due to the new self-management system introduced by Tito himself throughout Government agencies before his death. Self-management, in turn, accounted for the surge of low-budget film productions in all the republics, of which several (a third of this year's production) were made by debut directors or those with but a single credit to their names.

The younger generation stepped to the forefront and proved beyond a doubt that Yugoslav cinema has again reached the relatively high standards set in the late 1960s, when the films of Aleksandar Petrovic, Dusan Makavejev, Zivojin Pavlovic, Purisa Djordjevic, Vatroslav Mimica, and Veljko Bulajic were the talk of the arena. The Grand Prix winner, Lordan Zafranovic's *The Fall of Italy*, confirmed the director as a visionary poet of substance; this tale of island conflict during World War Two is slated next for the Venice Festival. As a Croatian-Serbian co-production, it marks a new direction in financing as well.

Zafranovic studied at the Prague Film School (*FAMU*), as did other directors with impressive films at Pula: Rajko Grlic, Goran Markovic, and Emir Kusturica. Grlic's *The Memory Haunts My Reverie* examined the postwar years in Croatia when the heavy climate of Stalinism stifled creative spirits and spread fear among Party officials. Kusturica's *Do You Remember Dolly Bell?* nostalgically recalls Sarajevo in the early 1960s, a time when Western products, styles and films entered the country; the hilarious comedy describes the feelings of teenagers towards the the fumbling efforts of overly patriotic grown-ups trying to open a Cultural House, with the warmest scenes set in the home of a Moslem family attuning to the refineries of Marxism. Markovic's *Would You Believe It?* another satire, tears at the educational system in Serbia. It hints that teachers who take their jobs too earnestly verge on being mad when regulations are reduced to absurdities.

Evidence that the underprivileged republics are awakening could be found in Stole Popov's *The Red Horse* (Macedonia) and Nenad Dizdarevic's *Gazija* (Bosnia). *The Red Horse* recounts the fate of Greek Macedonians expelled from their homeland after the last war in conjunction with the Yalta Conference; it takes the viewer to Tashkent and back to Macedonia in a round-about chronicle of the times. And *Gazija* is based on two short stories by Nobel Prize poet Ivo Andric, set in the 18th century on the frontier of the Ottoman Empire. Both are films of style rather than narrative, all the more significant as both directors are barely pushing thirty but with a wealth of practical experience behind them.

Albert Hall

The Last Night of the Poms

by ANTONY THORNCROFT

The Last Night of the Poms, opened on Monday and closed last night. This shortened season is time enough for Barry Humphries to extend his extraordinary talent another couple of notches. For a singer taking the stage at the Albert Hall with the London Symphony Orchestra and the New Antipodean Singers is not Joan Sutherland but that other Australian diva, Dame Edna Everage, and the occasion is none other than a new cantata in praise of Australia, words by Humphries, music by Carl Davis, the man responsible for many a film theme.

Oddly enough it is not a fun evening. There are many serious things about the enterprise. Davis's score, a pastiche of folk songs, drawing-room ballads and stirring oratorio, deserves to be listened to and Humphries' contribution reveals a deep love of Australia. For once he does not mock his birthplace. Rather he sings its praises from the time that Mother Nature, a role perfect for Dame Edna, completed her finest creation, through the history of the Continent, down to a list of its famous sons—and Dames.

The problem is that the audience for Humphries is hardly the audience for light music and there are undoubted longueurs. They are made worse by the fact that when the singers and the orchestra are not earning an honest penny we are being entertained by Dame Edna and Sir Les Patterson, the cultural attaché, at their most typical, the Dame waving to "the little paupers" in the gods and Sir Les, despite good intentions, breaking repeatedly into the vernacular.

Humphries has these two wonderful comic creations: he is such a fine actor that you accept them completely; they are credible and horribly human. When they disappear into light music the loss is not compensated for by the compositions. (Sir Les in the first half matches Dame Edna's cantata with his own Aussie creation, *Peter and the Shark*.

So, an uneasy evening. Because of the rarity of listening to "a work for megastar and symphony orchestra" it generally remained intriguing, but such an iconoclast as Humphries is really needed on the full time task of deflating hypocrisy and outraging the bourgeoisie. This venture, although accomplished, misuses his talents.

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Wednesday September 16 1981

Planning for a real wage cut

THE GOVERNMENT'S announcement that the coming round of cash limits will be based on the assumption that labour costs will rise by four per cent, while other costs will rise by nine per cent, spells out far more clearly than any official speech the view that real wages in Britain are still too high. The announcement comes unusually early in the year. This is officially explained as a necessary preliminary to the new system of planning public expenditure in cash rather than in volume terms, but it can hardly be a coincidence that it comes at the beginning of the private sector bargaining season. The Government is supporting the Confederation of British Industry in trying to talk down the going rate.

If this attempt succeeds, the prize would undoubtedly be large. The prospects for competitiveness—and therefore for growth, as well as for inflation—would be substantially improved, and at the same time wage discussions would be brought back into the region of possible real increases in a well-performing non-inflationary economy. It has always been clear that the pain of a monetary deflation largely depends on how far costs prove stubborn; the authorities are trying to break through into the promised land of relatively painless correction.

Scope

While we share the Government's objectives, however, it is hard to be entirely happy about the chosen means. Technically, as the Treasury points out, this is simply part of a financial planning exercise. There is scope, as has always been intended under the cash limit system, to reward improved productivity (other than manpower cuts already planned in the Civil Service) or to pass on other economies.

There is also rather less in the new limit than apparently meets the eye. It does not apply in any direct way to the nationalised industries, or alter existing undertakings to such groups as the police, the armed services and some emergency services. It is also announced that the new limit does not override the existing undertakings to the Civil Service that the next pay settlement will not be constrained in this way—a circle which it may prove difficult to square.

Nevertheless, it will be widely regarded as a pay norm, and this is surely the intention. The advantage is that it is realistically low. The attendant risks are unfortunately far from negligible. The risk of a confrontation is the least of them—and may indeed be welcome to the Government in its present mood. The real problems are the politicisation of pay bargaining, and the possible effect on relativities.

Result

The difficulty with all pay norms, as the Government is well aware, is that they divert the pay argument away from economic realities into a political battle of wills. The harsh exposure to competitive reality which has already been imposed on the country has, as Ministers rightly claim, done a great deal to restore both realism and peace on the shop floor. It is easier for militants to set up an unpopular government as a bogeyman than to argue against the facts of competitive life. Any number the Government lays down will be seen as a challenge.

It is possible, then, that even if the policy succeeds in the public sector, the rise in wages in the private sector will be significantly larger; the weakness of sterling, which is already cutting real incomes across the borad, does create a tries. The result is only too little headroom in many indus- familiar: this year's public sector squeeze reappears as next year's anomaly.

Since events in the private sector largely determine future increases in both costs and revenue, it would be far more logical in the long run to settle cash targets as late as possible in the financial year, in the light of trends which have already become apparent. This would avoid both anomalies and politicisation. There may be a case this year for leading the wage battle from the front; but as previous Governments have found, it is very dangerous to make a habit of it.

The high price of vodka

WHEN THE Soviet authorities have a nasty surprise for the Soviet consumer they usually take care to spread rumours about it beforehand to defuse the impact of the bad news. Thus, rumours of impending price increases on "luxury" items, which sent Soviet shoppers on a pre-emptive shopping spree, were confirmed this week.

Soviet consumers now have to pay higher prices for petrol, alcohol, cigarettes, furs and other goods. In spite of the prospect of another dismal harvest and an official campaign to save bread there have been no increases in either bread or meat prices. Meanwhile the prices of other goods including some antibiotics, synthetic textiles and some sports and household goods have been reduced.

A 17 to 27 per cent rise in the price of vodka, other alcoholic drinks and tobacco is bound to have a major effect on most Russian wage packets. The official explanation is that the measures are aimed primarily at reducing the alarming increase in drunkenness which afflicts the Soviet Union.

There is no reason to doubt this explanation.

According to Western academic sources the consumption of alcohol in the Soviet Union has increased three-fold over the last 20 years. The statistical average Russian now drinks about nine litres of pure alcohol equivalent every year and spends more than 7 per cent of his income on it.

Alcohol problem

Taxes on alcohol contribute 12 per cent to the state budget. But the economic and social costs of alcohol abuse on a dramatic and growing scale far outweigh the economic advantages to the state. Official figures furthermore understate the alcohol problem because of the growing consumption of illegal moonshine, or samogon. When the 45m Moslem population is deducted from calculations an estimated one in ten of all non-Moslem Soviet citizens have a serious drink problem.

The most worrying aspect is the way in which drunkeness has increased among women and teenagers.

Western demographers believe this is a major factor behind the rising death rate in the Soviet Union. Drunkenness lies behind a high proportion of industrial and traffic accidents, crimes of violence, divorce and other growing signs of unhappiness and alienation in Soviet society.

Recent studies indicate that these problems are at their worst in the raw new towns and bleak new mining, drilling and industrial projects

Under these circumstances any responsible government would be moved to try to limit the consumption of alcohol. But it is doubtful whether raising its price will be sufficient. Last month the Soviet Economic Gazette produced figures showing that savings in the Soviet Union have increased eight-fold to a total of 156bn roubles—nearly £110bn—since 1966. The bulk of such savings consists of forced savings, reflecting the fact that while wages and salaries have steadily risen the volume of goods and services available has failed to keep up. One product never in short supply is vodka. Part of the Soviet drink problem is clearly due to the relative absence of alternatives on which the consumer can spend money and, in a wider sense, on the failure of the Soviet system to satisfy either the material or spiritual needs of the Soviet people.

Human talent

It is difficult to escape the conclusion that the problems now afflicting Soviet society are a by-product of the Soviet leadership's single-minded devotion to the search for great power status and military strength and the rigidity of the economic system which this has engendered.

For too long Soviet leaders have sacrificed too much of the Soviet Union's human and material resources to the Soviet war machine. The cost to the Soviet people has been incalculable. A country which has the natural resources and human talent to become a sort of Continental Canada has become instead a military superpower with Third World living standards for millions of its people.

Fortunately there are now signs that the Soviet leadership, faced with a clear warning from the Reagan Administration that it must cut its arms spending or face a new arms race, is rethinking its attitude. The latest Soviet offer of "a considerable reduction" in its SS-22 missiles may be an indication of a new seriousness about arms control—which, if confirmed, would be good news for the Soviet people and for the rest of the world.

MRS THATCHER'S ECONOMIC STRATEGY

Keep right on to the end

By Anatole Kaletsky

THROUGH the eyes of history, Monday's transaction between the Bank of England and five discount houses, when the Bank lent £79m for one night at a 13¼ per cent interest rate, may be seen as one of the decisive turning points in the whole of Mrs Margaret Thatcher's term of government.

The implications of this small transaction for every part of the domestic economy, for the foreign exchanges and for British political life, may be at least as significant as those of the Cabinet reshuffle which Mrs Thatcher performed on the same day.

More than any amount of Cabinet reshuffling and speechmaking, the Government's decision to push up interest rates at this critical point in Britain's economic cycle, when the first tentative signs of economic recovery were on the horizon, is proof that there has been no retreat from Mrs Thatcher's original conception of her economic strategy. The attack on inflation is still the absolute economic priority. Monetary policy is still the weapon.

Halfway through the likely term of her present Government, Mrs Thatcher has given notice that if there is to be a recovery in the second half of her administration, it will happen only on the terms that she has set: there can be a return to economic growth only if inflation continues to fall. There will be no recovery fuelled by a consumer credit boom or a collapsing pound.

The primary purpose of the Bank of England's action in the money market was to make this order of priorities abundantly clear to foreign exchange dealers. The Bank called its intervention — which under the old system of monetary control dismantled last month would have been equivalent to raising the Minimum Lending Rate from 12 to 13¼ or 14 per cent — "primarily a response to the external situation." (It is because of the introduction of this system that the banks are delaying a rise in base rates until they can see where market interest rates have settled.)

A major secondary factor was "the rapid expansion of bank lending particularly to the personal sector and the obscurity surrounding the money figures as a result of the Civil Service strike." This meant that "a rise in interest rates is also in line with the cautious conduct of domestic monetary policy."

This change in emphasis, between external and domestic monetary factors, may have important implications for the future definition of the Government's economic strategy. But the anti-inflationary thinking underlying the strategy remains unchanged. Contrary to some expectations, the Government has not used the statistical fog created by the Civil Service dispute as an excuse to relax its policy. As the domestic monetary guideposts have become impossibly obscure it has instead sought, and found, external ones to justify continuing monetary restriction.

By Monday, the trade-weighted index for sterling, at 87.0, had fallen back to its level in May 1979, just after Mrs Thatcher's election. In February this year, it had peaked at 102.5. Against the dollar, the fall has been much sharper: from $2.44 in October 1980 to a low of $1.7660 on Monday. In May 1979, just after the election, the pound stood at $2.06.

As the pound went into reverse, so did many of the forces in the domestic economy, which its upward climb had set in motion. On the positive side, the decline in sterling has made a major contribution to the improvement in industrial profits, which reached a nadir in the last quarter of 1980 and are expected to recover by about 20 per cent by the end of this year.

Surveys of business sentiment and export orders have shown a slow, but steady improvement since the new year, largely as a result of the fall in sterling against the dollar. The more recent weakening against the Continental currencies—from an average of DM 4.79 in May this year to DM 4.18 at one point on Monday—promises to yield even greater benefits for industry.

But the negative side of the slide in sterling has been the reversal of the trend in inflation. It is now widely accepted that the unexpected strength of sterling was the most powerful anti-inflationary force during the first two years of the economic strategy. Despite the overshooting of monetary growth and the difficulties of the 1979-80 pay round, inflation fell much more rapidly during 1980 than most forecasters had anticipated.

Since the spring, however, the annual rate of increase in the Retail Price Index has got stuck at around 11 per cent. Wholesale price inflation has just turned marginally upwards and industrial raw material and fuel prices have been rising at a monthly rate of around 3 per cent since spring. The year-on-year rate of raw materials inflation reached 17.4 per cent in August, largely because of the fall in the pound.

Foreign exchange dealers have become increasingly conscious of the Government's dilemma over sterling and the measures may have a psychological effect on the markets.

But it is questionable whether an increase of 2 per cent in interest rates shifts the balance of fundamental economic factors sufficiently in sterling's favour.

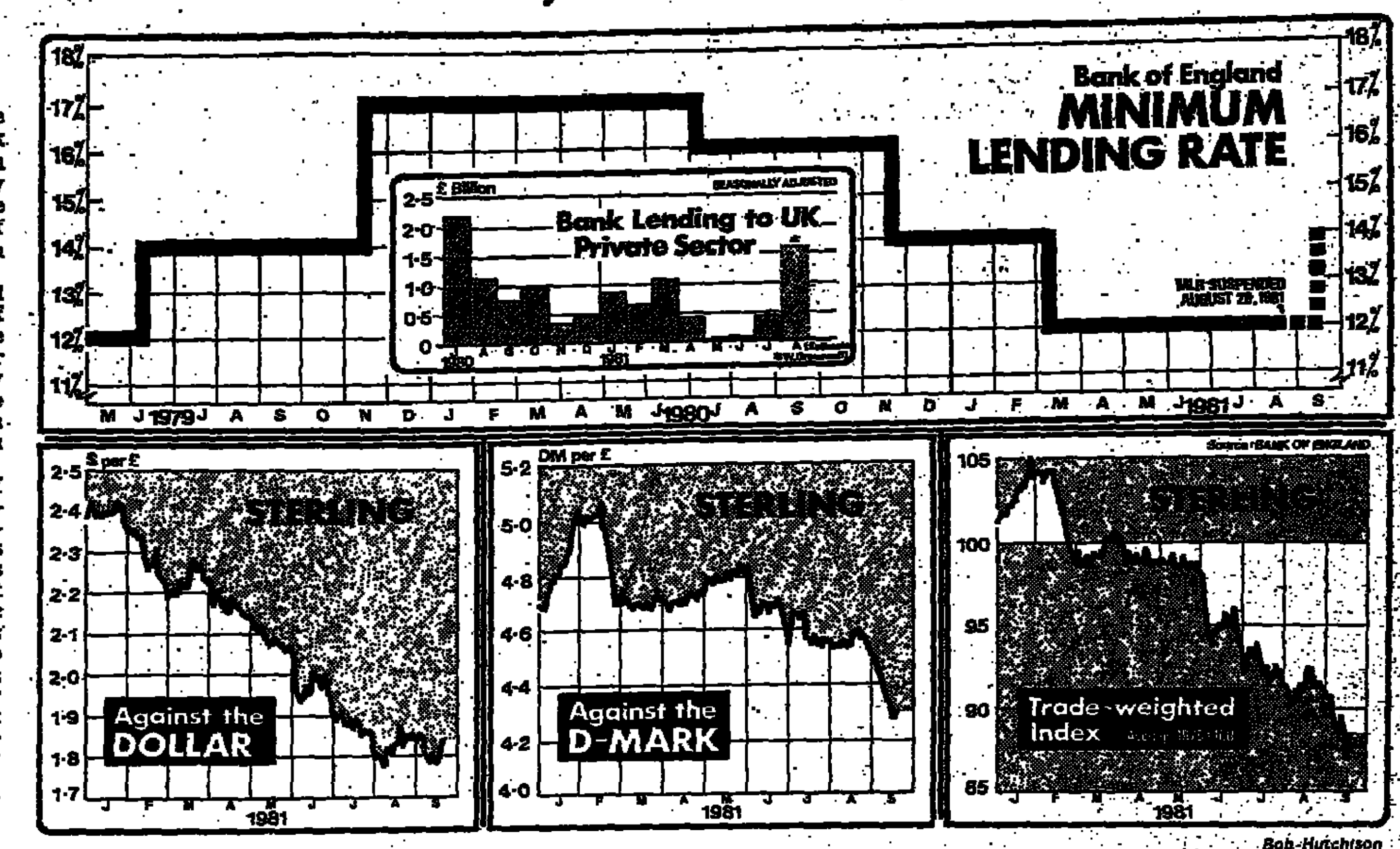
But the psychological factors should not be underestimated, particularly at the moment. For one of the main problems about government strategy recently has been its dependence on statistics which are either meaningless or non-existent in the wake of the Civil Service strike.

In the absence of meaningful figures on monetary growth, attention has been drawn to the buoyancy of bank lending to the private sector—and particularly to personal consumers and house buyers. Neither the precise reasons for this recent growth in bank lending, nor its effects on the money supply are yet clear.

The growth in personal lending, indicated by banking figures published last week—has led City analysts to estimate that total bank lending to the private sector may have risen by around £1.6bn in August. In itself this figure need not have been alarming since bank lending has been behaving extremely erratically as a result of the delay in VAT payments and unprecedentedly sharp movements in stocks.

The effect of higher consumer credit demand on the money supply is further complicated by the fact that it could be offset by the run down in corporate borrowing that may result from rising consumer spending. Mortgage lending by banks may increase the money supply, but again, to the extent that it is substituting for building society lending, it may not have much macroeconomic effect.

All these uncertainties and the even more important question of how Britain's trade has been affected by the past year's exchange rate movements will not be resolved for months. But the Bank and the Government has decided that the conduct of a "cautious" monetary policy cannot be put at risk by waiting for all the facts to emerge.



Bob Hutchison

Why the Bank had to defend the pound

By David Marsh

"Interest rates were the only weapon the Bank had to show the markets that they just can't go merrily along selling sterling. The exchange markets thought that, with 3m unemployed, the Government just did not have the flexibility to raise rates. But Mrs Thatcher proved them wrong." A U.S. foreign exchange dealer in London last night.

WHEN Britain last took major action to raise interest rates back in November 1979, the view—not entirely regretful—of a senior Bank of England official was that foreign countries would criticise the step as another salvo in the international interest rate war.

This time, with sterling reeling on the ropes against the heavyweight dollar and quick-punching D-Mark, the move is entirely defensive.

Foreign opinion is still, however, of crucial importance. Monday's credit tightening is designed very much to reassure the large overseas holders of sterling—who have built up their sterling investments by well over £8bn since the May, 1979 election—that Mrs Thatcher's anti-inflation policy is still on course. The message is meant to be supplemented by the rightward shift in the Cabinet following Monday night's reshuffle.

Yesterday's stable showing of the pound—it rose well above $1.83 against a generally weaker dollar, and was steady against the Continental currencies — shows that the twin signals, for the moment, have been picked up loud and clear on the sensors of the currency markets.

The Government dithered for weeks about whether or not to raise interest rates to brake the pound's sudden summer transition from strong to weak currency. There are two key international reasons why its hand has now been forced.

● First, opinion on financial markets has strengthened that U.S. interest rates will not be coming down significantly for a while yet. Even though more American banks yesterday joined the move to cut prime rates to 20 per cent from 20.5 per cent, this may be only a temporary respite.

● Second, and closer to home, summer moves to tighten fiscal and monetary policies in the two hard currency centres on the Continent—West Germany and Switzerland—have led to a sharp fall in the pound against European currencies.

With 55 per cent of Britain's exports last year sent to the "D-mark bloc" of the EEC, Scandinavia, Switzerland and Austria, this has helped exporters. But since over 50 per cent of imports now come from this area, the pound's depreciation risks inflaming the inflationary consequences of the already sizeable fall this year against the dollar.

In its intervention strategy over the last few months, the Bank of England has appeared to be trying to steady the pound particularly against the D-mark.

The precipitous fall to below DM 4.20 on Monday morning clearly sent alarm bells clanging along the Bank's marbled corridors. Almost as though sterling were a ghost member of the European Monetary System—which the Bank is rather keener on joining than the Treasury—action was taken to stop the pound falling through its mythical "floor." Yesterday the pound closed in London at DM 4.29, 2.5 pfennigs higher than on Monday night.

Any move which adds up to an attempt to stabilise the pound against EMS currencies is bound to introduce a new note to the debate about whether Britain should join the system. But there would probably have been no alternative to an interest rate increase to stop the rot whether sterling were in the EMS or outside it.

Even after the move, Mr Mathis Cabiallavetta, senior vice-president in charge of foreign exchange at Union Bank of Switzerland in Zurich, is saying that sterling still looks "reasonably vulnerable," particularly against the D-Mark. He thinks the pound would be more realistically valued at around DM 4.10.

He says that the markets generally view positively Mrs Thatcher's assertion of leadership over the Cabinet reshuffle. But criticism of her policies "shows the rest of the world that there are still question marks over the success of "Britain's kind of monetarism."

Dr Kurt Richebaecher, executive manager at Dresdner Bank in Frankfurt, also believes that sterling has further to fall—"to well under DM 4"—against the D-Mark.

The pound has been buoyed against the D-Mark by Britain's current account surplus and Germany's deficit. "But the currency markets underestimate both the improvement in the German current account and the likely deterioration in Britain's."

After another sharp slide in prices yesterday on the demoralised London gilt edged market, some foreign exchange analysts believe that the lure of yields of well over 16 per cent and the possibility of a further sterling recovery may tempt foreign buyers.

MEN AND MATTERS

Black out

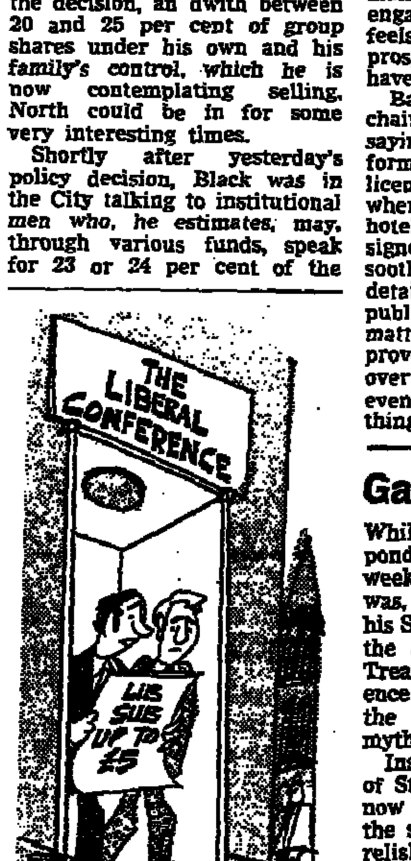
After nigh on 70 years of being a good deed in a naughty world, temperance hotel group M. F. North has finally steeled itself to embrace the demon drink. The market men, not known for an aversion to strong liquor, applauded the move by marking North shares smartly up 4p to 28p yesterday to celebrate the prospect of all that extra cash chinking across the bar counter.

Chairman Sir Cyril Black, however, takes a very different view. He has resigned over the decision, an dwith between 20 and 25 per cent of group shares under his own and his family's control, which he is now contemplating selling. North could be in for some very interesting times.

Shortly after yesterday's policy decision, Black was in the City talking to institutional men who, he estimates, may, through various funds, speak for 23 or 24 per cent of the North shares. And, he says, if the price is right, a sale could be on the cards. North has resisted a series of takeover overtures thanks to its tightly-held shares. There can be little doubt that yesterday's developments will bring the predators back, and Black has no objections in principle to selling his shares as in a single block, which could prove an ideal bid platform.

With well over 30 years at North behind him, the 80-year-old from Tory MP Black is understandably upset to be leaving. He could not, he says, remain on the Board of a company engaged in liquor trading, and feels that with his retirement in prospect, the decision might have waited a while.

Back at North H.Q., vice-chairman "Freddie" Irwin was saying little, over and above the formal statement that liquor licences will be considered where "advantageous" for the 11 hotels, and that Black had resigned. "My dear chap," he soothed when I pressed him for details, "the board meetings of public companies are a private matter." Was the policy shift provoked by worries about takeover interest? "I am," he replied evenly, "not worried about anything at all."



"If we put it up to £9 perhaps then the SDP would treat us as equals."

Gardyne grows

While Margaret Thatcher was pondering her reshuffle at the weekend, Jock Bruce-Gardyne was, quite by chance, reminding his Sunday Telegraph readers of the abiding need for a tough Treasury team. "The omnipotence of the Treasury is one of the hoariest of Whitehall myths," he wrote.

Installed yesterday as Minister of State, the MP for Knutsford now gets his chance to stiffen the sinews. It is a role he will relish—and one which he has constantly rehearsed from the backbenches. Few Ministers, Tory or Labour, have managed to dole out public money for any purpose without a hard-nosed question from Bruce-Gardyne.

Co-author with Nigel Lawson of a book called The Power Game, Bruce-Gardyne might have made it to the Treasury bench much earlier if he had not been quite so outspoken.

A few ill-advised words are said to have blighted any chances under Ted Heath. Soon after he became Tory leader in 1965, Heath launched a censure debaet in the Commons on the infant Labour Government's economics. Harold Wilson responded that it was a bit much to expect more from Labour in 12 months than the Tories had delivered in the previous 13 years—and began to list the sins of omission.

Bruce-Gardyne leaped forward to defend the record." What about the White Fish minimum price scheme?" he protested indignantly, bringing the House down around the hapless Heath.

Happy landings

Only to be expected, I suppose, that former Fleet Air Arm pilot Maurice Elderfield should spread his wings after his departure last year from the post of finance director with British Shipbuilders.

Already chairman of Throgmorton Trust and the UK arm of Berfield Group, the U.S.-owned financial conglomerate, Elderfield yesterday landed in the chair of Sheldon Freud, a new company formed to provide project and equipment finance. Elderfield tells me: "We expect to make an impact in what is a very big market indeed."

Noble Grossart, the Edinburgh-based bank with ambitions to join the accepting houses élite in the London market, has taken a 50 per cent share in the venture. It had been thinking of setting up its own project finance department until Elderfield, as it were, dropped out of the blue.

Three others will share the rest of the equity with Elderfield—John Sheldon, founder of Carolina Leasing and recently a First Dallas director, and David Freud and George Lemos, both ex-Carolina Bank.

"We were separately responsible for some of the largest export transactions in the world last year," Elderfield claims, involving leasing arrangements for all types of equipment from airplanes to ships. "Now that we have pooled our experience and resources, we can really take off . . ."

Elderfield and Sheldon have been associated for some time in a company called S.A.G.A.—a title culled from their wives' initials. "We always wanted a company in our wives' names," Elderfield quips.

Has-beens

The strain of coping with supply-side economics is generating its own brand of humour in the U.S., to judge from this joke, currently doing the rounds of the Administration.

Three men, a physicist, an engineer, and an economist, were washed up on a desert island with no supplies except a single can of baked beans. Eventually, as their hunger became overwhelming, the trio decided to broach the one tin. They did not, however, have an opener.

Up spoke the physicist with a solution. "Gentlemen, what we must do to open the tin is to heat it, so that, as the air inside expands, it will explode." The plan was duly considered, but rejected on the grounds that too many beans would be lost in the process.

The engineer then proposed what he considered to be a more practical solution. With a sharpened stone, he said, he could attack the seams of the can and open it that way. Again, the party decided that such a method would place the tin's precious contents at too great a risk.

"Gentlemen," the third member of the group then interrupted. "I am an economist, and I have the answer. First, we must assume that we have a can opener . . ."

Observer

Guy de Jonquieres looks at the strategy of Robb Wilmot, the 36-year-old new broom at the largest European-owned computer company

ICL's dash to make up for lost time

AFTER SEVERAL years of *drifting* towards a commercial backwater ICL, the biggest European-owned manufacturer of data-processing equipment, is now engaged in a crash programme to try to rejoin the mainstream of the computer market. If it is to succeed, it will have to move even faster than its competitors in an industry which is already moving very fast indeed.

Big computers were ICL's mainstay, but are now a stagnant market. The new management is pushing the company into small computers and business systems, a market currently expanding by about 25 per cent a year.

That is the main message to emerge from the Press conference on Monday at which ICL's new management sketched out for the first time the strategy which it hopes will guide the company to recovery. Significantly, it was held in Paris. The aim was clearly to try to persuade the company's customers throughout Western Europe—which provides roughly a third of its turnover—that reports of its impending demise had been greatly exaggerated, and that they should not switch their allegiance to other manufacturers yet.

Holding the line against customer defections is only one part of a truly formidable task ahead. It also entails rejuvenating ICL's product line, bringing new technology into service, beefing up its marketing muscle and overhauling its management structure. And all this within 18 months, the make-or-break period effectively imposed by the deadline on the Government's £200m loan guarantee to the company.

Responsibility for sorting out the jigsaw lies largely on the shoulders of one man, 36-year-old Robb Wilmot, who was appointed managing director four months ago. He faces the challenge with an air of quiet self-confidence which could easily be mistaken for youthful arrogance if he had not already proven himself as a decisive and highly effective manager.

He won his spurs at Texas Instruments (TI), the big American electronics company which has won a reputation as one of the most hard-bitten operators in a relentlessly tough industry. After helping to turn around its flagging calculator business, he transformed its ailing UK subsidiary into one of TI's most profitable operations anywhere in the world.

Mr Wilmot seems in no doubt about the past mistakes which helped bring ICL to its knees, or about what needs to be done. He admitted this week that it had been rightly criticised for concentrating too heavily in the past on big computers, for which demand at present is stagnant.

Nor does he bother to conceal his low opinion of the company's past management record. He emphasised in Paris that its current redundancy programme, involving the loss of 4,200 jobs in Britain, stretched "from board level down." Three members of the pre-Wilmot board have already been shown the door, and promising young men have been promoted to replace them. Further management shake-ups are likely in the coming months.

Mr Wilmot is a product marketing man, and his first priority has been to thrust ICL aggressively into the market for small computers and business systems. This seems certain to be one of the growth markets of the next decade. In spite of the recession, it is expanding by about 25 per cent a year in value as the falling cost of computer power brings it within reach of a steadily widening circle of users.

ICL has not been alone in neglecting this market. Major U.S. manufacturers, including International Business Machines, have hesitated to take the plunge, largely because they were uncertain about the best marketing approach. Instead, the running has been made by brash young upstarts, mainly American companies like Digital Equipment, Wang and Prime.

But the penny has now dropped with a vengeance, and U.S. companies which previously looked to big "mainframe" systems for most of their business are moving in. IBM announced its first personal computer a few weeks ago. Others, including the Japanese, are poised to follow. Suddenly, the competition is growing a lot tougher.

There are compelling parallels with the motor industry, where U.S. giants such as General Motors and Ford have at last been forced to recognise that most people want to buy small cars and are now investing massively in a bid to repair market leadership. But how should a second-tier company, lacking the Americans' financial firepower, avoid being trampled to death?

Mr Wilmot's approach bears a similarity to that adopted by Sir Michael Edwardes at BL. Both men have concluded that their best hope lies in focusing on selected market sectors, not trying to cover the entire product spectrum. Both have decided to capitalise on their companies' main strengths, while seeking to form alliances with other manufacturers who can supply the skills and products in which they are deficient, or which it would not be cost-effective to develop for themselves.

ICL, while financially still precarious, has two attractive assets to offer prospective partners. One is its worldwide marketing network, probably the most extensive of any non-American computer company. The second is its technological and development engineering talents, which are no less impressive for having been under-utilised in the past.

Both of these—plus, no doubt, the promise of generous royalty payments—have enabled ICL to conclude a deal with Three Rivers, a thrusting entrepreneurial American high technology company. ICL will make and market in much of the world outside the U.S. a powerful microcomputer developed by Three Rivers. It will also contribute to further product development.

The Three Rivers machine, the Perq, will form part of the spearhead of ICL's thrust into small computers, alongside ICL's own new small business computer, System 25, and a sophisticated information processing system to be unveiled shortly.


Robb Wilmot: the penny has droppe

The prices at which these machines will have to be sold to be competitive can be achieved only on very large volumes. ICL plans to supplement the direct selling methods which it has used in the past with other marketing techniques, including sales through *computer systems and services* houses and retail and wholesale outlets.

By its own admission, ICL is late into this game and faces many risks. Other computer manufacturers have been aggressively exploring alternative marketing channels for some time and have already established a firm grip on some of the most suitable outlets. The most positive prognosis which Mr Wilmot could offer this week was that ICL could at least learn from others' mistakes.

Much rides on whether or not it succeeds. For carving out a worthwhile share of the lower end of the market is crucial to Mr Wilmot's plans to make the company a force in office equipment and in applications like engineering, technical development work and computer-aided design.

Beyond this lies a still more ambitious goal—to become a leading supplier in Western Europe of "networked" products, designed to communicate easily across telephone circuits or cables both with each other and with products made by other manufacturers.

At present, computer communications is still structured in a hierarchical fashion, with big computers "talking" mainly to other big computers, smaller machines to smaller machines, and so on. Communication between the different strata and types of system is still a developing art.

But the picture is changing fast. The spread of new real-time computer applications, such as banking terminals and business information systems, has made it imperative to develop more versatile and sophisticated communications systems which will permit a continuous, carefully-managed dialogue between machines of all types.

The challenge might be compared to designing an automatic simultaneous interpretation system for the United Nations. No one manufacturer has a complete answer yet, though most are striving for one. Many have much more experience in communications than ICL, which will be obliged to draw on technology from outside.

The company is still looking for small partners with innovative products like Three Rivers. It is also discussing possible collaboration with British Telecom, which is interested in ways of bolstering its competitiveness in the newly-liberalised British telecommunications market.

But ICL has made no secret of its hopes to form an alliance with one of Japan's powerful, vertically-integrated electronics companies, which have considerable expertise in the convergence of computing and communications technology. The favourite appears to be Fujitsu, with which negotiations have been under way for some months.

Fujitsu wants better access to European markets. Its attempts to sell medium-size computers in Britain have so far been disappointing, and it is still puzzling how to crack the European telecommunications market. ICL, on the other hand, wants to get its hands on Fujitsu's technology, to rejuvenate its larger computers, as well as to extend its communications know-how.

Japanese companies are not well known for their largesse in opening their technological books, and ICL will have to bargain hard if it is to ride the Fujitsu tiger and not be gobbled up by it. Striking the right balance will take time, and it may be several weeks before it is known whether the two companies can agree.

ICL has still to define precisely how it proposes to implement other parts of its strategy—for instance, its approach to word processing, in which it has never been a strong contender. These plans should become clearer in the next few months.

The company is still being extremely non-committal about when its recovery plan can be expected to produce improved financial results. It wants to undertake a capital restructuring, but has admitted that uncertainty about prospects beyond the end of the year—as well as its depressed share price—makes such an exercise impossible at present.

It is anxiously searching, in the meantime, for evidence that the economic recession in Europe is nearing an end and claims to have discerned some tentative grounds for optimism. In the final analysis, ICL's ability to steer the recovery course being so energetically charted by Mr Wilmot seems certain to depend heavily on when that hoped-for upturn comes.

Letters to the Editor

UK poultry problems

From Mr D. Charlesworth

Sir,—I read with dismay John Wyles's *misinformed* Lombard (September 7) on Britain's poultry industry. It is quite clear to anyone connected with the industry, that the so-called "experts" Mr. Wyles has consulted must have been straight out of the City. They certainly were not aware of the problem surrounding the French Government's attempts to dump poultry into the UK and generally force the drastic rundown or closure of our poultry industry.

Many poultry processing factories have already been forced into severe cutbacks or *closure this year* and these have not necessarily been the ones with out-of-date machinery. The UK Government insists the EEC's stringent health and hygiene regulations are followed in poultry establishments, whereas when the French Government cannot tactfully avoid health and hygiene regulations, it subsidises factories. When you occasionally find an official inspector or vet in a French factory, the Government is paying at least part of the costs. This is not so in cricket-loving Great Britain, where the rules are followed and the processor pays.

A French company setting up a poultry plant would receive from the French Government a large capital grant, and for every job created, all the salary for the first six months and 50 per cent of it for a further six months.

So, I question Mr Wyles when he says we are using health issues to protect an industry which supplied 95.5 per cent of our domestic poultry market last year—at what cost? Certainly not one which he refers to as "good capitalist economics."

Has Mr Wyles ever tried to sell eggs or turkey meat in France?

D. Charlesworth.
"Noceno,"
Abnash,
Chalford Hill,
Stroud,
Gloucestershire.

Paradise for hens

From the Chairman, British Veterinary Association Poultry Sub-committee

Sir,—Your correspondents in Paris and Brussels have recently commented, somewhat cynically, on the Minister of Agriculture's movement to improve the health status of the British poultry industry by re-introducing a slaughter policy for Newcastle disease. It seems to me that the views put forward show a lack of understanding of the history and epidaemiology of the disease.

If your correspondents' arguments were followed, we should reduce the animal health status of the EEC to the lowest common denominator which following the accession of Greece and the advent of Spain, could mean African swine fever, foot-and-mouth disease, rabies as well as Newcastle disease endemic in the United Kingdom. This cannot be the intention of either the Commission or indeed the French and Dutch Governments: therefore attempts to improve health standards should be welcomed.

There is little dispute that UK poultry health, with up to now the exception of Newcastle disease, has been among the highest in the world. Now we are moving the industry to this high level we can look for further improvements in health and productivity. Through the poultry health scheme, salmonella pullorum has been eradicated from commercial flocks—no other country has such a scheme on a national basis except perhaps Holland. There, mycoplasma control schemes have not yet succeeded in bringing about the elimination of these organisms which has been enjoyed by UK meat producers for more than 10 years. Recently major turkey breeders in the UK announced freedom from a troublesome turkey mycoplasma, making the commercial industry potentially unique.

Many poultry diseases are not notifiable and therefore statistics are hard to come by but it is well known that in the U.S., exotic Newcastle disease occurs as does avian influenza and salmonella arizona in their turkey industry—non-existent in the UK, turkey coryza, a new bacterial disease, has been extensively seen in the southern U.S. and in countries such as Spain, Italy, Germany and possibly France where direct imports from the U.S. of poultry without quarantine are permitted.

Information in Europe on poultry disease can only be obtained by personal contacts or reports from UK breeders selling into Europe and can scarcely be quantified. It is a fact, however, that the northern Italian poultry concentration is constantly racked by respiratory diseases and hot vaccines are used against Newcastle disease. The German turkey industry has had problems with poults imported from Italy carrying various virus and bacterial diseases of a contagious nature. The Dutch have a compulsory Newcastle vaccination programme but have extensive problems with respiratory diseases, mycoplasmosis and infectious laryngotracheitis in layers on the German border; in France, the turkey industry in Brittany has a respiratory disease in both growing and breeding birds centred on the Morbihan region which is not yet diagnosed, but appears to be an influenza/coryza type infection causing heavy losses. Mycoplasma vaccination is practised in France to prevent extensive infections in layers and breeders.

Compared to the other major poultry producing areas of America and Europe, the UK is a hens' paradise and if the control of Newcastle disease prevents the entry of many of these other diseases by closing the borders, then that in itself is to be welcomed and should lead to higher health standards, better productivity, lower costs to the producer and housewife and generate cash to re-equip and modernise ageing facilities.

I. Macpherson,
British Veterinary Association,
7, Mansfield Street, W1.

Tax relief on mortgages

From Mr E. Palamountain

Sir,—Anthony Harris (September 10) made some telling points. But it was depressing to find him in the ranks of the heretics over tax relief on mortgage interest.

The true case against this relief is not that it is granted but that it is granted uniquely and discriminately to house buyers, making a home (as is, for political reasons, intended) a privileged form of asset. It is here that the distortion is to be found.

The logic of the matter, as any reasonable person would probably agree, is that if the interest you earn on lending money attracts tax, then the interest you pay on borrowing money should repel it — which, of course, if you are a company, it does; and the proper course is to restore the universal interest relief which prevailed up to 1969 and which still prevails in the U.S. and elsewhere. Lord Barber did, of course, restore it as quickly as he could. Sir Geoffrey please note.

Edgar Palamountain.
Duns Tew Manor, Oxford.

Transport costs

From Mr L. Irvine-Brown

Sir,—The chairman of the Railway Conversion League (September 10) admits that commercial vehicles may not pay their full track costs but suggests that if the heavies met their full whack the Chancellor would be enabled to reduce the figure for the private motorists so that Sir Peter Parker's passengers would then abandon him in droves and flock back to their cars.

My slide rule is a little rusty but it tells me that were the Chancellor to cut my charge from the preposterous £70 to a merely penal £25, this would enable me to do all of another three miles a day which would hardly do a great deal of harm to Sir Peter. On the other hand were he to apply the same principle to the commercials, full and all-embracing costs plus a small element of taxation, the switch of traffic back to rail would almost enable Parker to carry his passengers free because what your correspondent does not appear to appreciate is that it is freight which British Rail needs, not passengers.

L. Irvine-Brown.
Church Street,
Wyre Piddle, Worcs.

Car prices in Britain

From Mr A. Lawler

Sir,—From my travels in Europe and the U.S. it is quite obvious that profit margins enjoyed by manufacturers/importers and dealer outlets for passenger vehicles in the UK are extraordinarily high compared with these other markets. For example, in the U.S. one sees German cars priced in dollars at the same number as they are priced in pounds in the UK. Even allowing for a 30 per cent rate of VAT, plus car tax, in this country and without the added costs of the long transatlantic journey someone somewhere is making a great deal of extra money out of the British motorist. It is quite apparent to me that the whole philosophy of sales in the UK is one of "what the market will bear" and that because some 70 per cent of sales are for company cars, the private motorist is being landed with the same very much higher prices.

Therefore, I was fascinated by Dr Jim Maxmin's comments (September 11) as managing director of Volvo Concessionaires UK when he warned that discounts given by other vehicle manufacturers would lead to motorists expecting lower prices. Indeed, I believe that the UK motorist is being blatantly taken advantage of by the motor manufacturers and certainly the level of service which Dr Maxmin believes will fall if discounting continues, is not perceptibly better than any service either in the U.S. or Europe. I begin to wonder who is trying to fool who.

Anthony J. Lawler.
Flat 6,
42, Redington Road,
Hampstead, NW3.

Buy your own bank

From Mr W. Presswell

Sir,—If the Scots feel so strongly about "their" bank (September 14) why don't they "put their money where their mouth is" and make a bid?

W. Presswell.
17, Marlborough Road,
Exeter, Devon.

Flared-off gas

From Mr J. Allan.

Sir,—Following the collapse of the gas-gathering pipeline, it was interesting to read the views expressed by Allen Sykes (September 12) on the actions the Government should now take in order to ensure that the North Sea gas reserves are harnessed as quickly as possible.

The solution offered is simple. Introduce competition, for the gas, from Western Europe, and purchase prices for gas will rise as the resultant "Dutch auction" takes place. The oil companies will then invest in pipelines in order to make attractive profits and, lo and behold, the gas reserves are harnessed, tax revenue flows in to the Exchequer and the problem is solved.

There is a snag! Reserves in the British sector of the North Sea are not unlimited. When they have been used up it will be necessary for gas to be *manufactured* again — from whatever feedstocks are available. Gas production stations will be costly and unsightly, and the gas they produce will be expensive.

We should certainly find a way to ensure that Britain's gas is properly utilised, rather than flared off in large quantities at the wellhead. It must, however, be harnessed for the long term benefit of Britain by piping it to British markets.

It appears that the private sector is prepared to finance less than half of the total cost of the project. I suggest that the balance should be provided from the public purse and that short-term considerations such as the public sector borrowing requirement must not prevail to the advantage of our gas-hungry competitors in Europe.

J. Allen.
5 Valley Close,
West Park, Hartlepool.

Today's Events

GENERAL

UK: Liberal Party conference debates Liberal/Social Democratic Party alliance, Llandudno.

Mrs Margaret Thatcher attends naming ceremony of Mountbatten Hall at Institute of Indian Culture, London.

Institute of Directors inaugurate City of London branch, Guildhall: speakers include Sir Kenneth Cork, new branch *chairman; Sir William Mather*, Institute chairman; and Mr Walter Goldsmith, Institute director general.

Overseas: Sir Keith Joseph in Tokyo for talks on industrial technology collaboration.

Mr John Nott, Defence Secretary, arrives in Egypt at beginning of Middle East tour.

OFFICIAL STATISTICS

Department of Employment publishes July indices of average earnings, and August indices of basic rates of wages.

COMPANY MEETINGS

Hampton Gold Mining Areas, Management House, Parker Street, WC, 12.00. Howard Tenens Services, Goddard Arms Hotel, High Street, Swindon, 11.30. LRC International, Howard Hotel, Temple Place, WC, 12.00. Moorgate Investments, 1 Brewer's Green, Buckingham Gate, SW, 3.45. Routledge and Kegan Paul, Partridge House, Henley-on-Thames, 12.45. Seascope, Trinity House, Trinity Square, EC, 12.45. S. W. Wood, Winchester House, 100 Old *Broad Street, EC, 12.00.*

COMPANY RESULTS

Final dividends: Amalgamated Estates. Sidney C. Banks. Epicure Holdings. J. Hewitt and Son (Fenton). George H. Scholes. Sirdar. Trafford Park Estates. United Real Property Trust. James Walker Goldsmith and Silversmith. **Interim dividends:** Amalgamated Metal Corporation. Bemrose Corporation. Berwick Timpo. Bifurcated Engineering. Blockleys. British Mohair Spinners. Bunzl Pulp and Paper. Burmah Oil. Danish Bacon. Delta Group. Eagle Star Holdings. Garnar Booth. Jones and Shipman. Legal and General Group. Liverpool Daily Post and Echo. Pentland Industries. Rio Tinto-Zinc Corporation. United States Debenture Group. **Interim figures:** Hugh Mackay. Mersey Docks and Harbour.

British Aerospace lifts 1981 profit expectations

PROFITS A little higher than those forecast in the recent offer for sale are now being anticipated by the board of British Aerospace for 1981. *The prospectus, relating* to the offer of half the equity of the former wholly-nationalised organisations, issued in February, indicated pre-tax profits for this year in the order of the restated figure of £65m for 1980.

The improved forecast is given by Sir Austin Pearce, the chairman, when reporting a jump in first half taxable profit from £21.3m to £30.6m, for what is one of the largest aerospace concerns in the Western world. However the increase is reduced to 13 per cent after adjusting for interest on the new share capital.

As expected the net interim *dividend is 3p. A total of 7.8p* has been predicted for the 12 months.

At the trading level profit for the half-year to June 20 1981 is up at £42.1m, compared with £35.2m for the corresponding period on a pro-forma basis, and sales reached £692.7m (£575.1m).

However the write-off of launching costs, particularly in respect of the two new civil projects, the BAe146 four-engined jet and the Airbus A310, continue to have a significant effect on the *figures, amounting to £25.6m,* against £21.5m, for the half year.

This write-off covers all design and development costs largely related to the aircraft. Expenditure on jigs and tools and education for these projects is being amortised over future sales and amount so far to £63.7m.

Net interest received up from £7.1m to £13.5m, therefore, emerges as the main reason for the rise in the reported mid-year pre-tax figure. Associates added £600,000 (£500,000).

Net profit emerges at £27m (£20.9m) after tax up from £400,000 to £3.6m.

Stated earnings per 50p share were 14.3p on a net basis on 15.6p (14.1p) on a nil distribution basis.

Sir Austin said yesterday that the company's order backlog at half time was just over £3.5bn. Currently it is negotiating a further reduction in manning levels.

The roll out of the BAe 146 has been followed by much interest from prospective customers, mostly from overseas and to date 25 firm, or optional orders have been received he *says.*

Progress has continued on the Airbus and the company has delivered the first development wing box for this European joint venture.

British Aerospace has presented the Government three options on the development of the A320 Airbus, to follow the A300 and A310 versions. The *first would entail meeting 30 per* cent of costs for final assembly of the aircraft and could result in a cash flow of some £600m *by 1987, Sir Austin said.*

The second and third options, for construction of the wing or back end of the aircraft, would give a £400m cash outflow by the same date. The company however is not prepared to go ahead with the project without Government assistance on the deferral of interest and launch costs.

Meanwhile the HS125 twin-jet business aircraft and the HS 748 short-range turbo-prop have continued to sell well and the first orders for the new advanced version of the Jetstream 31 commuter jet have been announced.

Total civil aircraft sales for the six months dipped to £125.8m (£130.2m) but for military aircraft turnover advanced from £223m to £302.6m, with continued progress on its various programme and a major sales effort leading to increased interest in the Hawk, a subsonic jet trainer.

As known a joint programme with the U.S. for the manufacture of the AV8B Harrier jump-jet for the U.S. marines and the RAF has been agreed. Sir Austin adds that Tornado production is increasing on target.

Turning to guided weapons, where sales improved to £152m (£132.2m), the chairman says that the Rapier low-level air defence system has continued to win significant export orders. The new Sea Eagle anti-ship missile has successfully completed its first flight trials and the group has been chosen by *the Ministry of Defence* as prime contractor for a UK military communications satellite system.

Other activities contributing to the sales total, of which 60 per cent were accounted for by exports, were support services, amounting to £63m (£49.2m), and space, £36.1m (£29.3m). Other interests added £13.2m *(£11.2m).*

On a current costs basis group pre-tax profit is given at £13m (£900,000).

See Lex

PMT offer of shares is oversubscribed

The offer for subscription of 12m shares of Precious Metals Trust at 100p per share has attracted 2,455 applications for a *total of 14.9m shares.*

Clients of Phillips and Drew, brokers to the offer, have been allocated 8m shares as stated in the prospectus. Of the remaining 4m shares, applications for up to 1,500 shares have been allotted in full, applications for between 1,600 and 10,000 shares have been allotted approximately 73.3 per cent of the amount applied *for with a minimum of 1,500* shares, and applications for over 10,000 shares have been allotted 40 per cent of the amount *applied for with a minimum of* 7,500.

Dealings will begin on September 22.

Travis & Arnold setback

AFFECTED BY the low level of construction activity during the period, *turnover* and taxable profits of Travis and Arnold, builders' and plumbers' merchants, timber importer, were both down for the first six months of 1981.

Pre-tax profits fell from £3.12m to £2.01m on turnover of £43.6m, compared with £51.26m.

The volume of materials delivered was significantly down, *particularly in the first quarter,* and operating profits were further reduced by increased pressure on trading margins, the directors state.

Although there has been some improvement in output since the start of the second quarter, this was mainly because of seasonal factors "and cannot be taken as evidence of real recovery."

The interim dividend, however, is maintained at 0.64p net per 25p share—last year's total was 3.94p paid from a taxable surplus of £6.59m.

The reduction of capital required to finance stock and debtors has resulted in a substantial swing in interest payments from a charge of £222,000 to a £333,000 credit in the six months, and below the line the *tax charge was halved at £805,000* against £1.62m.

After preference and ordinary dividends, the amount retained was £1.09m (£1.37m).

The board is asking for shareholders' approval, at an EGM on October 9, of a share option scheme for senior executives.

● comment

After finishing 1980 in reasonable shape for the sector, Travis and Arnold's, profits have taken a nose dive. Building activity remain well down and volume in the central heating division, about a fifth of sales, has dropped by a third. However, the company has slashed stocks to the bone and eliminated its borrowings completely. The group has more *than £2m cash which accounts for* the interest credit. The shares tumbled 18p yesterday to 170p and could weaken further as the company does not foresee much improvement for the full year. The dividend is well-covered and will probably be maintained at the final which indicates a prospective yield of just over 3 per cent.

LMS profits pick up in second half

SECOND-HALF profits of London Merchant Securities increased from 4.47m to £4.99m pre-tax, and left the figure for the year ended March 31 1981 at £8.18m, compared with £7.6m.

Lord Rayne, *the chairman* of this holding concern, engaged principally in commercial property development and investment, and oil and gas exploration, says that further growth in both income and asset value was *achieved,* despite the cost of servicing increased property and energy development expenditure, and the reduced contribution *from Carlton Industries,* the group's industrial associate—profit was down from £4.27m to £2.85m.

Included in the group pre-tax profit figure was net rental income from investment properties—up from £4.42m to £5.81m—which is expected to exceed £8m in the current year.

The other associate, Century Power and Light, the oil and gas company, suffered higher losses of £515,000 (£138,000) for the year. Also above the line investment income increased from £2.06m ato £3.39m, but interest *charges* were higher at £3.38m against £2.76m.

The dividend is effectively lifted to 1.08p (0.9p) net with a final of 0.72p.

On the property side, further new lettings and substantial rental increases have been established, the full benefits of which have still to be reflected in future accounts. Existing developments are progressing and additional projects are in train, Lord Rayne states.

In the energy field, the North Sea exploration and development activities continue to expand—through the investment in Century Power — as well as by direct participation in a licence with Marathon Oil as the *operator. "Broadly spread oil* and gas interests have also been energetically and successfully established in North America and continue to be expanded."

The rationalised insurance division is finally contributing once again to profits, the chairman says, and the group's results have also benefited from the release of a claims provision no longer required.

Liquid resources have been *reinforced by the issue of £25m* 7½ per cent convertible unsecured loan stock and the historic association with the Church Commissioners has been expanded by a new partnership in the development of the Angel Centre office complex.

The combined effect of these financial arrangements will be significantly to mitigate the short term revenue penalties inherent in both property and energy development activities, as well as to facilitate further growth in those areas, says Lord Rayne.

● comment

Unchanged at 64p, the shares of London Merchant Securities stand on a fully-taxed and diluted p/e of about 40. This reflects the income which is expected to flow in, three or four years hence, from current expenditure on oil exploration. Century Power and Light, through which LMS is making much of this investment, remains in loss, and will probably do so for some while. Carlton Industries, the group's other associate company is profitable, but on a much reduced level—as is only to be expected from its involvement in car batteries, whisky and house-building. Nevertheless, pre-tax profits have advanced somewhat. Reversions of leases granted in the 1960s are permitting substantial rent reviews—an expected strength of the property base. Even so, LMS would have remained roughly where it was last year if it were not for the £25m raised by last November's convertible loan issue. The conversion price of 122p now looks astronomic, and the 7½ per cent coupon at present interest rates furnishes LMS with an endowment of perhaps £2m a year.

British Land plan for long term funding

BY ANDREW TAYLOR

A NEW twist was given to drop lock loans yesterday by British Land property group — the first publicly quoted company to take advantage of the drop lock mechanism adopted by local authorities recently as an important fund raising vehicle.

The British Land deal gives the company the option: to raise at least £30m at fixed rates over the next 10 years. Financing agreements have been agreed with 29 UK investment institutions.

Under the terms of the deal the property group has the right to call its options in two tranches. Provided it draws a first tranche *of £10m by August 31 1987,* British Land will maintain a further option to draw the remaining £20m by August 1991.

In addition to the £30m already committed by the institutions British Land intends to make further stock available to comply with Stock Exchange rules. This would allow the group to raise a further £7m. It also has the right to issue addi*tional stock.*

Once the option is triggered the coupon on the debenture *stock will be fixed at a margin*— thought to be around one percentage point—above the then current highest yielding *gilt edged stock, with a maturity* of more than 15 years.

The property group said that once the option is taken up the interest rate remains fixed for the life of the loan maturing in 43 years' time.

Although British Land can voluntarily trigger its option at any stage during the next six years it is also obliged to draw the funds once interest rates fall below certain levels.

On this basis British Land would be obliged to draw the first £10m once redemption yields on the highest qualifying gilt reached 9.8 per cent. The *second option* between 1987 and 1991 would necessarily be triggered when yields reached 8.5 per cent.

Under the terms of the deal the stock would be issued at a small discount. Under Bank of England rules the maximum discount allowed on issues of non-government stocks is five percentage points.

Mr John Ritblat, British Land's chairman, announcing the terms of the deal at the annual meeting yesterday, said it was a unique fund raising excercise which gave the group access to long term funding at fixed rates of interest at a time of the company's own choosing.

He said: "These arrangements have partly been created to provide for additional long term funding and for repayment of the £21m debenture loan presently secured on Plantation House due *in March 1987* and carrying an interest rate of 15 per cent."

The new financing deal—described as a drop lock debenture option—was arranged by James Capel and Guinness Mahon.

Willis Faber midway increase

PRE-TAX profits in the half year *to June 30, 1981 at Willis Faber* rose 17 per cent from £11.9m to £14m. The net interim dividend is raised from 3.8p to 4.3p — last year's total was 12p from pre-tax profits of £19.37m.

As in earlier years, profits in the *second half will not match* those of the first, says Mr Ronald Taylor, the chairman.

A 14 per cent increase in the current year's income, from £28.88m to £32.75m, reflects the successful increase in the port*folio. Expenses have risen* 12 per cent from £19.6m to £21.88m. Stated earnings per 25p share are 16.53p (14.03p).

The group is mainly involved in insurance and reinsurance broking. Income comprises the group's net retained brokerage fees and commissions, interest and dividends. The income of its subsidiary, Sovereign Marine and General Insurance, totalled £4.04m (£2.97m). Group turnover therefore, totalled £36.78m (£31.8m).

Sovereign's profits were £487,000 (£341,000) and the share of profit of associated companies was £2.65m (£2.38m).

Attributable profits were £6.78m (£5.66m) after an extraordinary credit of £20,000 against a debit of £21,000, and a deduction for minority interests of £45,000 (£29,000). Retained profits rose to £4.97m (£4.08m).

● comment

Latest figures from Willis Faber confirm the trends indicated by Sedgwick last week. Profits are *up 17 per cent compared with* Sedgwick's more majestic 27 per cent advance, but income growth in the first half at Willis of 13.6 *per cent hardly matched the 24* per cent expansion in Sedgwick's figures. Willis has also gained around £500,000 from the more favourable exchange rate movements, with the pound weakening against major currencies. Like Sedgwick, Willis stresses that although world insurance markets premium rates are still depressed it has been acquiring additional business volumes. The volume of reinsurances placed by Willis has shown a useful *increase, which has probably off-*set the worst effects of a more sluggish surplus lines business market in the U.S. Group investment income has increased in the first half from around £5m to £5.5m. Although classes of business such as marine and aviation are still reportedly depressed there has been some recovery in marine ratings while *aviation business is a strong* market. The group has a tight control on expenses which have increased by 11.6 per cent. For the full year the group could report £24m in pre-tax profits, compared with £19.4m. At 395p, down 5p, the shares stand on a prospective p/e of 13.7 and yield 4.6 per cent.

Expanded Metal decreases

PRE-TAX profits of the Expanded Metal Company fell from £1.11m to £576,000 for the half year to June 30 1981 on *turnover down* at £15.65m, compared with £18.45m.

The directors warn that little improvement in the general level of demand at home and overseas is expected during the remainder of the year.

However, they are maintaining the interim dividend at 2p net per 25p share—last year a total of 4.5p was paid from taxable profits of £1.05m (£2.53m).

The pre-tax surplus was hit by associated losses of £84,000 (£32,000) although interest was lower at £238,000 (£249,000). Tax took £115,000 (£575,000).

The third quarter still shows an overall improvement, but conditions are still difficult in those industries served by the group. Demand tends to be erratic and short-lived.

Group total borrowings are currently lower than at December 31 1980 at approximately 14 per cent of shareholders' funds.

Ricardo Engineers down £0.6m

AFTER FALLING by 20 per cent to £438,000 in the first six months profits of Ricardo Consulting Engineers picked up in the second half and for the year as a whole to June 30 1981 the taxable surplus emerged a little under 5 per cent lower at £1.15m, compared with £1.21m.

The directors say that the current level of interest in the group's consulting and contract work activities is satisfactory and though the current order position at Cussons is lower than they would like, they "believe they can look forward to a busy year's work."

Profit for the year was after interest charges of £29,000 (£198,000) and included a loss of £271,000 incurred by Cussons.

As a result of substantial capital expenditure tax was at a reduced rate and took £377,000, against a credit of £44,000.

After extraordinary debits of £11,000 (£117,000) and same-again preference dividend payments of £3,000 the attributable balance came through at £759,000 (£1.13m) out of which ordinary dividend payments absorb £305,000 (£221,000).

Stated earnings per share before extraordinary items dropped sharply from 42p to 22.7p but an increased final dividend of 5p (4.7p) raises the net total to 8.5p (7.7p) per 25p share.

On a CCA basis pre-tax profit *for the year is reduced to* £784,000 (£795,000) and on the same basis earnings per share before extraordinary items are 11.9p (28.1p).

The directors explain that although earnings per share show *a significant fall the figures have* been distorted by the incidence of accelerated capital allowances on the charge for taxation. If these were ignored historical earnings per share on a full tax charge would be 16p, compared with 19.4p for 1980, and CCA earnings 5.3p (5.5p).

The extraordinary items refer to goodwill arising on the purchase of Wards Patents.

● comment

Ricardo's fall in pre-tax profits interrupts a decade of sustained growth but the figures suggest this will be no more than a one-year hiccough. The underlying trend is more encouraging, with an improved second half performance keeping the full year drop in pre-tax profits to just 5 per cent, compared to 20 per cent *in the first six months.* Ricardo's main business — consulting engineering—increased its profits by £100,000 over the year, no mean achievement in the recession. The problem has been Ricardo's subsidiary, Cussons, but rationalisation appears to have stemmed the bleeding here: all but £19,000 of its £270,000 losses for the year were incurred in the *first half. But 1982* has started well, with the consulting side showing higher output for the first two months. Last year's rights issue has cut borrowings to virtually nil and £1m of capital investment is planned this year. The share price fell 7p yesterday to 485p but the fully taxed p/e remains an over-demanding 31. The yield is 2.5.

COGHLANS

The board of Coghlans state that because of the recession and adverse results, it has again deferred dividend payment on the company's 8 per cent preference shares.

Production snags hit Matthews

DESPITE A 35 per cent jump in turnover from £17.6m to £23.9m, pre-tax profits fell sharply at *Bernard Matthews,* turkey producer, from £1.71m to £329,000 for the 28 weeks to July 12 1981. The interim dividend is effectively held at 2p.

Production problems are blamed by the chairman, Mr B. T. Matthews, for the drop in profits, which were a record £4.75m at the end of the last full year. The problems were associated with what Matthews believes to be a defective feed raw material, which is now the subject of a compensation claim.

The market price for whole turkeys has weakened further during the last few months due to the threat of subsidised French imports. These have been offered at prices 25 per cent below the UK cost of production, *says Mr Matthews.*

The Government's new poultry health policy, which brings standards in line with Ireland and Denmark, should curtail turkey imports from countries which do not comply with the regulations.

In view of the recent disruption of the turkey market and the recession the chairman is not able to forecast profits for the full year. Most of the increase in turnover reflects the continuing growth of the turkey meat products division. The division accounted for more than 70 per cent of group sales.

Trading surplus was down to £956,000 (£2.15m) and interest rose to £627,000 (£442,000). Tax *took £98,000 (£598,000).*

● comment

The market had been expecting interim profits of Bernard Matthews to be somewhat lower because of the effect of the threat *of severe French competition on* whole turkey prices. But no one had an inkling of a feed additive problem. Matthews claims this started to affect productivity at the end of last year, was not eliminated until early in the summer and knocked about £1m off trading profits. The shares tumbled 22p *on the news to* 125p but recovered to close at 135p. Excluding the feed problem, the group is still losing money on whole turkeys but the volume of processed products was up nearly 10 per cent over the second half of last year, proving the wisdom of Matthews' rapid conversion to products early last year. However, here margins are also squeezed because of competition from other meats, especially pork. With the gallic threat removed by the Government's new slaughter policy, it was conceivable that second half profits would come close to matching last year's £3m, but after France's *announcement yesterday that it* too was adopting a slaughter policy, all bets must be off.

Midland aims to re-style Far East bank

By Alan Friedman

MIDLAND BANK said yesterday that a change in the structure of its Singapore-based *merchant* banking group—Midland Montagu Asia—was likely in the near future.

Midland Montagu Asia is a merchant bank which is 51 per cent owned by Midland Bank and 49 per cent owned by Samuel Montagu, Midland's London-based merchant bank.

The reason for a restructuring *of the Far Eastern operation,* formed a year ago, is said to be "balance sheet purposes."

It is understood that the joint venture *merchant bank has had* to reject offers to participate in some large syndicated loans because of a reluctance by Samuel Montagu to consolidate the liabilities on its group balance sheet for fear of overgearing.

Under one possible restructuring plan, Samuel Montagu would continue to execute standard *merchant banking* activities in Asia such as bullion trading, underwriting shares and other types of corporate financing and capital market operations.

Midland may create a separate operation in order to specialise in large syndicated loans.

Any restructuring will need the approval of the Monetary Authority of Singapore.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Barrow Hepburn ......int	0.8	Nov 6	0.8	—	2.2
Barton Group ......int	1	Nov 13	1.4	—	2.4
Brit. Aerospace ......int	3	Nov 5	—	—	—
Cons Gold Fields	16	—	15	24.5	22.5
Horace Cory ......int	0.4	Oct 30	0.6	—	1.3
Croda Intnl ......int	1.5	Dec 7	1.5	—	3.1
Expanded Metal ......int	2	Nov 27	2	—	4.5
Gresham Hs Est 2nd int	2.25	Oct 28	2.25	3.65	3.65
Grimshawe	Nil	—	3	Nil	3
Samuel Heath	19	Oct 19	17.5	19	17.5
Hestair ......int	1	Jan 4	Nil	—	2.5
Lon Merchant Secs	0.72	Nov 7	0.6*	1.08	0.9*
Bernard Matthews ...int	2	Oct 30	2*	—	4.38*
Oil Gas Production int	32	Oct 16	—	—	—
Ricardo Engrs	5	—	4.7	8.5	7.7
George Spencer ......int	0.1	Oct 27	0.8	—	0.8
Travis and Arnold ...int	0.64	Nov 5	0.64	—	3.94
Willis Faber ......int	4.3	Nov 3	3.8	—	12

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ U.S. cents; includes 1.5 cents special interim.

LONDON TRADED OPTIONS

Sept. 15. Total Contracts 1732. Calls 1376. Puts 445

Option	Ex'rcise price	Oct. Closing offer	Oct. Vol.	Jan. Closing offer	Jan. Vol.	April Closing offer	April Vol.	Equity close
BP (c)	280	20	—	34	—	44	5	292p
BP (c)	300	8	16	22	—	32	2	"
BP (c)	320	4	—	14	5	—	—	"
BP (c)	330	—	—	—	—	23	2	"
BP (c)	350	1	5	8	2	—	—	"
BP (c)	360	¼	—	4	2	—	—	"
BP (c)	410	¼	—	2	17	—	—	"
BP (p)	280	7	100	15	5	20	—	"
BP (p)	300	16	17	24	—	36	—	"
BP (p)	320	34	25	36	—	—	—	"
BP (p)	360	92	1	92	—	—	—	"
BP (p)	410	122	—	122	20	—	—	"
CU (c)	160	9	—	17	15	21	5	159p
Cons. Gld (c)	460	68	2	85	—	97	5	526p
Cons. Gld (c)	500	35	9	60	15	75	5	"
Cons. Gld (c)	550	11	—	35	10	48	5	"
Court'lds (c)	60	3	5	7	35	10	—	60p
GEC (c)	550	205	2	—	—	—	—	740p
GEC (c)	650	105	—	132	1	—	—	"
GEC (c)	700	62	—	92	3	117	1	"
GEC (c)	750	38	12	57	—	82	—	"
GEC (c)	800	8	—	34	10	57	—	"
GEC (c)	850	2½	5	18	1	37	—	"
Gr'd Met. (c)	160	36	10	—	—	—	—	181p
Gr'd Met. (c)	180	10	1	31	177	26	—	"
Gr'd Met. (c)	200	3	25	12	117	17	—	"
Gr'd Met. (c)	220	1	11	7	—	10	20	"
Gr'd Met. (p)	180	7	—	12	82	16	—	"
Gr'd Met. (p)	200	23	2	25	2	27	—	"
Gr'd Met. (p)	220	42	3	42	10	44	30	"
ICI (c)	260	20	25	32	—	42	—	278p
ICI (c)	280	9	70	24	51	32	—	"
ICI (c)	300	2½	—	15	10	18	—	"
ICI (c)	330	1	1	5	—	—	—	"
ICI (p)	260	7	75	11	—	16	—	"
Land Sec. (c)	288	28	—	35	30	—	—	310p
Land Sec. (c)	312	11	7	19	16	—	—	"
Land Sec. (c)	330	—	—	—	—	21	10	"
Land Sec. (c)	336	4	15	9	52	—	—	"
Land Sec. (c)	360	1	15	3	—	—	—	"
Mks & Sp (c)	110	22	35	—	—	—	—	130p
Mks & Sp (c)	120	12	5	19	24	25	—	"
Mks & Sp (c)	130	6	10	12	2	17	—	"
Mks & Sp (c)	140	2	—	7	20	12½	—	"
Shell (c)	330	42	10	50	—	—	—	368p
Shell (c)	390	7	—	16	10	26	—	"
Shell (p)	390	32	3	34	5	42	—	"
		November		February		May		
Barclays (c)	460	20	—	38	1	45	1	450p
Barclays (c)	500	10	9	20	—	—	—	"
Imperial (c)	60	3	—	7	22	8	—	60p
Lasmo (c)	500	35	5	60	1	72	—	488p
Lasmo (c)	550	20	—	37	1	52	—	"
Lasmo (c)	600	10	—	22	—	32	5	"
Lonrho (c)	80	6½	—	11½	—	13	2	84p
Lonrho (c)	90	3	—	6	2	7	—	"
Lonrho (c)	100	1	10	2½	6	—	—	"
Lonrho (p)	90	8	5	10	6	13	—	"
P & O (c)	110	8	—	13	15	16	—	115p
P & O (c)	120	3	5	6½	—	9	—	"
Racal (c)	420	43	26	62	—	77	—	445p
Racal (c)	460	23	18	40	59	55	—	"
Racal (c)	500	5	60	23	10	37	—	"
Racal (p)	390	4	2	8	—	—	—	"
Racal (p)	420	12	27	30	35	23	—	"
Racal (p)	460	25	1	33	1	42	—	"
RTZ (c)	500	40	6	72	—	—	—	511p
RTZ (c)	550	27	12	57	2	69	—	"
RTZ (c)	600	17	8	37	12	42	—	"
RTZ (c)	650	9	32	15	7	—	—	"

C=Call. P=Put

SPAIN

September 15	Price %	+ or −
Banco Bilbao	384	
Banco Central	380	−1
Banco Exterior	415	
Banco Hispano	324	+4
Banco Ind. Cat.	119	
Banco Santander	382	−3
Banco Urquijo	240	
Banco Vizcaya	400	
Banco Zaragoza	272	−4
Dragados	204	+4
Espanola Zinc	75	
Fecsa	72	+0.5
Gal. Preciados	55	−1
Hidrola	81.5	−0.7
Iberduero	58.2	−0.3
Petroleos	119.2	−1.3
Petroliber	82	−1
Sogefisa	51	
Telefonica	68	
Union Elect.	79.2	+1

THE TRING HALL USM INDEX

123.0 (−2.4)

at close of business 15/9/81

BASE DATE 15/11/80 100

Tel: 01-248 5675

CORAL INDEX

Close 534-539 (−5)

OIL INDEX

December Refined $42.75

January Refined $42.50

UK COMPANY NEWS

H. Cory down to £85,000

AS FORECAST by the chairman in his statement accompanying the 1980 report and accounts turnover and profits of Horace Cory and Co, London-based chemical colour manufacturer, fell back in the first half of the current year.

For the period to June 30 turnover amounted to £1.07m (£1.39m) and at the pre-tax level profits were sharply lower at £85,000, compared with £178,000.

Since June 30 sales have improved and "although it cannot be assumed that this upward trend will continue for the remainder of the year" the directors are cautiously optimistic that so far as the company is concerned, "the low point of the recession may have been passed."

However, in view of the disappointing first half they consider it prudent to restrict the interim dividend to 0.4p net (0.8p)—for 1980 a total of 1.3p was paid from taxable profits of £311,277 (£479,995).

The pre-tax surplus for the first six months of the current year was struck after interest receivable of £17,000 (£29,000). There was no tax charge (£28,000 restated).

After same-again preference dividend payments of £2,000 and ordinary payments of £37,000 (£55,000) the retained balance emerged at £46,000 (£93,000).

Stated earnings per 5p share fell back from 1.61p to 0.90p.

Croda ahead slightly to £4.14m at interim stage

STRUCK AFTER interest charges, £1m lower at £2.03m, taxable profits of Croda International moved ahead slightly from £3.86m to £4.14m for the six months ended June 28 1981. Turnover was down £5.7m to £133m.

The interim dividend is maintained at 1.5p net per 10p share—last year's total distribution was 3.1p paid from pretax profits of £7.14m.

Trading profits were behind at £6.16m, against £6.9m, and with their sales figures, the group's four major subsidiaries are split as to: Croda Chemicals International £2.36m (£1.61m) and £38.7m (£37.3m); Croda World Traders £1.27m (£979,000) and £43.9m (£43.4m); Croda Organic Chemicals £412,000 (£1.77m) and £18.9m (£22.2m); Croda Polymers International £1.7m (£2.77m) and £34.5m (£35.8m). Trading profit included a £420,000 surplus (£236,000 debit) on disposal of investments and properties.

Sir Frederick Wood, chairman, says the difficult trading conditions of 1980 continued largely unabated in the UK, where most standard chemicals and commodities were "under extremely competitive pressures."

In specialised areas the group did better and most of the overseas subsidiaries produced good results, he states.

"The additional measures to improve performance put in hand a year ago continue to exercise a positive effect but we cannot see much in the way of a significant improvement in demand at this time."

Six months' tax charge takes £1.48m, against £873,000, after which earnings are shown as 2.5p (2.6p) basic per share and 2.27p (2.33p) fully diluted.

The available balance came through, down from £2.95m to £2.64m, after minority interests of £35,000 (£38,000), and after the interim dividend cost of £1.58m (same) the amount retained was £1.06m (£1.37m).

● comment

With its gelatin troubles now over, Croda is more than holding its own in the difficult chemical business. The organic chemical division, which feeds the antioxidant market, showed a substantial 76 per cent drop in trading profits at the half-way stage while polymers dropped by two-fifths. But overseas contributions continue strong, led by the U.S. activities which now account for about 12 per cent of trading profits. The group has also managed to whittle down borrowings which has scaled back income gearing from 43 per cent to just over 30 per cent. Profits for the full-year should be around £8m and it seems likely that the final dividend will also be maintained. The shares unchanged at 45½p, have a prospective yield of more than 10 per cent.

Arden and Cobden falls into the red

ON LOWER turnover of £570,650, compared with £613,500, Arden and Cobden Hotels slipped into the red in the six months to June 27, 1981, incurring a pre-tax loss of £31,600, against a profit of £93,500.

The deficit was after interest charges of £21,044 (£1,466 receivable) but there was no tax this time against £12,500.

The directors say strenuous efforts to control costs have been made, some short-time working introduced and staff who have left have not been replaced. They warn that if demand does not pick up in the autumn "it may be necessary to make further reductions."

For the year to December 27, 1980, the company reported pre-tax profits of £163,589 (£204,247) and paid a single dividend of 5.5p net (4.75p).

Bardsey plans to pay losses from reserves

BARDSEY, the quoted property company of which Mr John Bentley is a director and main shareholder, plans to eliminate the deficit of £797,545 on reserves by the reduction of a similar amount in the £1.57m share premium account.

The disposal of the deficit—which has arisen from losses incurred by the company's past trading activities—will help the company to pay preference dividends and to consider dividend payments to ordinary shareholders sooner than the company could otherwise make under the Companies Act.

The company's articles prohibit the reduction of share premium account while any preference shares remain capable of being converted into ordinary shares—until December 31 1990. However, the company may carry out the reduction if it obtains the consent of both the ordinary and preference holders.

The meetings are called for October 8 at 21, Upper Brook Street, W, starting at 11.00 am. If passed, the reduction of share premium account will be subject to High Court consent.

Hestair expands 84% to £0.83m at six months

DESPITE POOR trading conditions, pre-tax profits of Hestair have expanded by 84 per cent from £453,000 to £833,000 for the half year ended July 31 1981. Group turnover ahead at £31.94m against £29.13m.

Mr David Hargreaves, chairman, says the satisfactory results reflect the success of the company's current policies aimed at reducing costs, improving efficiency, and maximising sales. He adds that Hestair has been able to maintain full time working at all its companies.

The balance sheet continued to improve, with half-year borrowings at their lowest level for four years. "We are therefore in good shape to see out the recession and to take advantage of the opportunities that will occur when capacity and demand are more closely in line," the chairman states.

The directors believe the company's recovery is sufficiently well founded to return to the payment of a dividend—an interim of 1p net per 25p share. Last year a single distribution of 1p was paid from profits of £733,000.

After tax of £78,000 (nil) earnings per share are shown as 4.1p, compared with 2.5p.

Commenting on divisional performances he explains that the vehicles side, Dennis and Eagle, continued to win a good volume of business, although it was at considerably lower margins because of price cutting at home and overseas.

Consumer products continued last year's improving trend with all three sections making progress in depressed conditions.

● comment

Hestair shares have tracked the group's recovery accurately this year, rising from 22p to a recent high of 48p. The market's only response yesterday to the 84 per cent interim advance was to clip the price by 2p to 45p but that does not suggest that the shares are about to change course. It is, however, difficult to plot the speed of the revival from now on. The bias which once favoured the second half has disappeared but repeat, pre-Christmas orders still mean a great deal to the toy division and dealer restocking before the February planting season is vital to the farm equipment business. Yet while Hestair can be no more than cautiously optimistic of the outcome in each area, it can at least point to the tangible benefits of its work on stock which has reduced borrowings by £4.3m over the last 12 months, the volume gains and changing sales mix which have combined to double the pre-tax contribution of the consumer activities and, most importantly, the productivity achieved by the special vehicles division which have counteracted the effects of discounting sufficiently to lift pre-tax profits by 15 per cent. There is support, too, from the resumed interim dividend which, if no more than repeated at the final, is going to yield 6.5 per cent.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims:— Amalgamated Metal, Bemrose, Berwick Timpo, Bifurcated Engineering, Stockleys, British Mohair Spinners, Bunzl Pulp and Paper, Burmah Oil, Danish Bacon, Delta, Eagle Star, Garner Scotb. Jones and Shipman, Legal and General, Liverpool Daily Post and Echo, Pentland Industries, Rio Tinto Zinc, Tricentrol, United States Debenture Corporation.

Finals:— Sidney C. Banks, Epicure, J. Hewitt (Fenton), George H. Scholes, Sirdar, Trafford Park Estates, United Real Property Trust, James Walker Goldsmith and Silversmith.

FUTURE DATES

Interims:—	
A.P.V.	Sept. 22
Finlay Packaging	Sept. 21
General Investors and Trustees	Sept. 24
Glossop	Sept. 24
Lane (Percy)	Sept. 30
Manders	Sept. 30
Phicom	Sept. 22
Rowan and Boden	Sept. 24
Rowntree Mackintosh	Sept. 24
Finals:—	
Zambia Copper Investments	Sept. 25

Barrow Hepburn falls mid-year

AMID SEVERE price competition and depressed demand taxable profit of Barrow Hepburn Group, the engineering, instruments, footwear and clothing concern, slid from £1.04m to £776,000 for the first half of 1981.

However, the interim dividend is being maintained at 0.8p net and the company reports that, though trading is still affected by the recession, there was an "encouraging increase" in sales in the second quarter.

For the six months total turnover was down from £16.08m to £13.55m and operating profit dipped to £882,000 (£1.18m). Interest costs were lower at £106,000, against £135,000.

Last time there had been a profit on sale of trade investments of £252,000. This was more than offset by associate losses of £259,000 mainly relating to Le Tanneur in France, the holding in which has since been reduced to the level of a trade investment.

Stated earnings per 25p share for the half-year were 1.73p (2.75p) after tax down at £310,000 (£327,000). The attributable surplus emerged at £427,000 (£677,000).

For the whole of 1980 pre-tax profit was £1.76m from which a total dividend of 2.2p was paid.

● comment

Having shifted "Le Tanneur" off its profit and loss account, Barrow Hepburn no longer has to bear its share of the French company's loss. But in these interim accounts, that benefit is offset by the absence of investment profits which last year kicked in £0.25m at this stage. Profit before tax has thus fallen about 25 per cent short of the 1980 level. Finding no detectable improvement in the economic environment, Barrow will find it hard to equal its 1980 performance. It is still regrouping its forces, however, and in the longer term should be able to make progress. The price, down at 37p, is beginning to reflect more demanding expectations: £1¼m for the year (pre-tax) suggests a fully taxed p/e of almost 14. The shares yield 8.7 per cent.

Geo. Spencer falls deeper in the red

A pre-tax loss of £35,000 is reported by George Spencer, manufacturer of leisurewear and knitwear, for the half-year to June 27, 1981. In the corresponding period last year the loss was £22,000.

The directors say depressed trading conditions continued throughout the period with buyers prudently deferring purchasing decisions, and then only placing minimal forward orders.

They say the outlook for the remainder of the year shows promise of an improvement in customer demand.

A nominal interim dividend of 0.1p to retain trustee status is being paid. Last year's interim of 0.8p was the only payment made.

Turnover for the half-year was down from £6.13m to £6.06m. The pre-tax figure was struck after interest charges of £99,000 (£88,000). There was a tax charge of £3,000 (£23,000). Again there is a loss per 25p share of 0.8p.

Murray Glendevon Inv.

Gross revenue for Murray Glendevon Investment Trust rose from £920,836 to £1.09m for the year to July 31 1981. Second-half gross revenue was higher at £583,726 against £562,206 for the previous second half.

Pre-tax profits were slightly down at £455,650 (£468,770). The final dividend was 1.8p (1.75p) making a total for the year of 2.7p (2.55p) in keeping with the chairman's stated policy of steadily increasing dividends. Stated earnings per 25p ordinary share were 3p (3.09p). Net asset value is 196.4p (147.7p).

The interim dividend on account of the current year is 0.9p, which is the same as the previous interim.

ISSUE NEWS

Private health group seeks £1.1m

London Private Health Group, the first private hospital company to come to the Unlisted Securities Market, is raising £1.1m by a placing of 4m shares at 28p per share.

The company was set up last year to take over the capital of Garden Clinic, which operates a 30-bed acute surgical and medical hospital at Hendon. Garden Clinic got into difficulty last year because of the cost of financing an expansion programme begun in 1977. The £1.01m proceeds from the placing will be used to reduce bank borrowings and finance a further £340,000 expansion.

The directors say that the viability of the clinic depends on occupancy levels. In the 12 months to March, 1981, a level of 80 per cent was achieved. At that rate, 70 per cent of revenue came from accommodation charges and 30 per cent from services. This pattern has continued but occupancy levels for the four months to July averaged 70 per cent.

The clinic's turnover rose from £150,000 in the year to September, 1976 to £370,000 in 1979 when the expansion from 16 to 30 beds was completed. In the 18 months to March, 1981, turnover was £1.09m. At the trading level, a loss of £3,600 was incurred in 1976, a profit of £13,000 in 1977, a profit of £29,000 in 1978, a loss of £88,000 in 1979 and a profit of £83,000 in the 18 months to March. 1981.

After interest charges the clinic had losses in all five periods, rising to £189,000 in 1979 and £176,000 in the 18 months to March. 1981.

Following a tightening up of management at the clinic, the directors of LPHG are forecasting pre-tax profits of £25,000 in the year to March, 1982. It proposes to declare dividends on the ordinary capital as soon as it considers there are sufficient earnings available for distribution, and expect to declare one during 1983.

A balance sheet at March 31, 1981 shows net assets of £275,000, after £1.3m in fixed assets and £1.04m in bank borrowings.

The shares in the placing amount to 100 per cent of the ordinary shares in issue. The directors hold 1.1m convertible deferred shares which, on full conversion, would represent about 27 per cent of the ordinary capital.

The placing is being made by brokers Schaverien on instructions from Mathercourt Securities.

● comment

The Garden Clinic has had a patchy record in the past few years, both financially and in terms of management. For example, its licence under the Abortion Act was withdrawn last year because of a failure to maintain the required clerical records. However, London Private Health Group appears to be providing strong direction in both areas and has also retained Nuffield Nursing Homes Management for advice on the market potential in the northwest catchment area. The potential for private hospitals is considerable: some 3.5m people carry private medical insurance while the queues for elective surgery remain very long within the NHS. The forecast profit for the current year reflects only a partial recovery from the debt-laden losses of the past. Based on the current 70 per cent occupancy rate, the group could make £1m in 1982-83, implying a fully taxed diluted p/e of nearly 14 at the placing price.

YEARLINGS UP

The interest rate for this week's issue of local authority bonds is 14¼ per cent, up ¼ of a percentage point from last week. The bonds are issued at par and redeemable on September 22 1982.

A full list of issues will be published in tomorrow's edition.

KCA Drilling well ahead

FIRST-half pre-tax profits rose for KCA Drilling Group (KCAD) from £1.5m to £2.3m. Turnover for the period to June 30 1981 was higher at £10.49m, against £7.78m.

Results for this period, says chairman Mr Paul Bristol, were well ahead of last year, and better than those projected in the offer-for-sale document in June this year.

Attributable profits were £1.44m (£953,000) and the tax charge rose from £550,000 to £859,000.

Pre-tax profits for the last full year were £3.47m and turnover was £16.85m. Attributable profits were £2.04m.

The group continued to expand in the first six months and all the contracts operated by KCAD are very satisfactory. The new contract for CAMPSA in Spain for the drillship the "Polly Bristol" is going ahead as planned. New contracts are expected in the near term and the second half should see continued growth in a buoyant drilling market.

KCAD is 75 per cent owned by KCA International.

Cavendish Petroleum £6m placing

A NEW secondary oil and gas company, Cavendish Petroleum, will come to the market next week with an issue of 12m ordinary 10p shares at 50p per share to finance the purchase of gas interests in the U.S.

The company, incorporated in the UK, is being brought to the market by brokers Sheppard and Chase under rule 163(3), the listing used by many British-based secondary oil companies. It does not intend to apply for a quotation on the Unlisted Securities Market.

The chairman is Mr Charles Hoare, previously managing director of Wardley, the merchant banking arm of the Hongkong and Shanghai Bank. Chief executive is Mr Leslie Grainger, a former board member of the National Coal Board. Finance director is Mr David Kaye, formerly company secretary at Cluff Oil.

The money raised by the placing will be used to buy gas interests in Ohio for £10.8m, which the company says it has had independently valued as worth $15.9m. The interests are being bought from Guernsey Petroleum, an Atlanta-based family business.

The interests include rights to royalties and management fees for 187 wells drilled by Guernsey Petroleum which are already producing gas, together with profit interests in 113 of them; ownership of a pipeline supplying gas to Ohio utilities; and leases to drill covering 142,000 acres containing an estimated 750 drilling locations, many of them in a 42,000 acre block under a 20 year lease from the Ohio Power company which Cavendish believes is particularly valuable.

The company says it plans to drill 375 wells in its first three years of operation, 275 of them on the Ohio Power lease. The cost of each well is put at $200,000, but the capital will be provided by U.S. interests.

The company stresses that its interest in the producing wells means that it will be generating cash from the beginning. It is projecting a 10 per cent gross dividend at the end of its first year of operations, rising thereafter at a rate of 25 per cent a year.

HAT RESULT

Acceptances have been received in respect of 91.7 per cent of the 12.28m shares of HAT Group offered in a rights issue at 62p per share. The balance has been sold in the market at a net premium.

Grimshawe's £0.6m year-end dive

WITH INTEREST charges increasing from £107,622 to 216,957, Grimshawe Holdings, the industrial group, incurred a pre-tax loss of £430,959 in the year to April 30, 1981. In the corresponding 12 months the group had pre-tax profits of £192,455. No dividend is being recommended—last year's payment was 3p net.

Turnover of this group—its principal activity is the manufacture and supply of goods for the do-it-yourself market—fell from £6.33m to £5.66m.

Mr Thomas Kenny, the chairman, says the losses have been financed by reducing stocks and debtors. The liabilities have remained almost unchanged. Looking ahead, he says the results for the six months to the end of October "will not be exciting. Thereafter I am expecting a noticeable improvement."

Referring to Mangers, the largest company in the group and mainly concerned with the DIY market, he says it is currently being courted by three potential buyers. "If the price is attractive, we will sell," he says, adding: "this would make a big favourable dent in our bank borrowing and interest costs. At this stage it is only a courtship and not an engagement."

Mangers' sales for the year were almost static at £2m and allowing for inflation this means a reduction in volume, he says.

Mr Kenny says the "big boys" have moved into the DIY market and they have lots of financial muscle. They can take long-term decisions involving initially a drain on profits. They are cutting margins and this has caused Grimshawe to trade at a near break-even situation as against profits of £152,000 last year.

The group's trading loss for the year was £214,002, against profits of £300,077 a year earlier. There was a tax credit of £83,851 against a charge of £9,616, and extraordinary debits of £61,381 (£24,413 credits), comprising £39,444 goodwill acquired and written off, and £21,937 loss on the disposal of a subsidiary.

There was a loss per 20p share of 15.9p (11p earnings).

Reviewing the group's subsidiaries, Mr Kenny says sales at Acoustic Chemical were ahead at £452,000, and profits also improved. The company was selling into volatile markets.

Aspex, a company which sells spectacle components, suffered a fall from £2m to £1m in sales and earned a small profit. The resident management, however, do not foresee any improvement to the previous pattern for some time. Mr Kenny says the management could afford to be patient, but "we cannot." He says it was agreed to see the busines to them in July 1981 at a small discount to net worth.

Cindy ceased to manufacture textile products and the textile machinery was sold. The important residue of the business is the manufacture of domestic and industrial sponges and sponge for industrial packaging. The company is expected to return to profit in the current year.

He says the group was unlucky with the management change at Dexters in Ireland where a profit of £41,000 was converted into a loss of £31,000 for this year. The damage to the company has been repaired.

Spon was told in September 1980. In the five months to the date of the sale it lost £31,000.

Gold Fields profits rise to full-year record

BY GEORGE MILLING-STANLEY

LARGELY AS a result of its gold interests, pre-tax profits of Consolidated Gold Fields for the year to June 30 have risen 35 per cent to a record £192m. This was slightly above the market's best expectations.

At the net level, profits were 27 per cent ahead at £114.3m. From earnings of 66.4p a share, compared with 59.2p after adjusting for last November's £181m rights issue, the group is to pay a final dividend of 16p, against 15p last time. This lifts the total for the year to 24.5p from 1980's adjusted figure of 22p.

The group's gold interests contributed a total of £78.2m, with £46.5m of that coming from the holding in Gold Fields of South Africa, recently raised to 48 per cent, and the remainder from dividends in respect of Cons Gold's direct holdings in individual mines.

Lord Erroll of Hale, the group's chairman, said that the higher gold price over the year enabled the mines to pay substantially higher dividends, despite increases in operating costs and reductions in the grades of ore being worked.

The second major contributor to the increase in profits was the gain arising on financial transactions. This included some £23m from the sale in January of a stake in Australia's North Broken Hill to EZ Industries, and a gain of £11m from forward contracts in the U.S. dollar made at the time of the rights issue.

Consolidated Gold's newly-regrouped Australian operations, under the name of Renison Goldfields Consolidated, chipped in with a first-time contribution of £8.2m.

Lower tin prices and industrial disputes hit the Renison tin mine in Tasmania, the Mount Lyell copper mine also suffered from labour troubles and the beach sand minerals operation of Associated Minerals Consolidated was adversely affected by the recession.

The construction materials division turned in lower profits this time, largely as a result of redundancy payments and other closure costs on the part of Amey Roadstone.

The group feels that the average gold price may well be lower this year, and it does not necessarily expect to be able to repeat its successes in financial transactions, but there are a few hopeful signs for the current 12 months.

Amey Roadstone has now completed its cost-cutting exercise, and should be in a good position to take advantage of any upturn in construction activity.

Secondly, base metal prices are showing signs of renewed firmness, and if this trend is maintained the Australian businesses will do better.

In addition, the group's U.S. interests, notably the Skytop Brewster and Gefco drilling rig businesses, performed well in 1980-81 and further marked progress is expected.

Cons Gold will no doubt have more to say about prospects in its annual report, due to be posted on September 29, and at the annual meeting in London on October 27.

After a poor day for equities in general, and the UK mining finance stocks in particular, the shares closed unchanged at 538p.

	1981	1980
	£m	
Mining		
Share of GFSA	46.5	32.9
Dvnds from direct hldgs in mines	31.7	21.4
Share of Renison	8.2	—
Subsid. companies	(5.6)	20.9
Construction materials	39.3	42.0
Manuf. and comm.	36.4	28.8
Int. receivable, real of investments	57.5	13.7
Profit before int. and tax	214.0	159.7
Int payable	22.0	17.8
Profit before tax	192.0	141.9
Tax	77.2	38.8
Profit after tax	114.8	103.1
Minority interests	0.5	13.2
Attributable	114.3	89.9
Dividends (including final)	45.8	33.6
Retained	68.5	56.3
Earnings per share	66.4p	59.2p*
Divs per share	24.5p	22.0p*

* Adjusted to reflect the rights issue in November 1980.

Homestake expects profit fall

AMERICA'S Homestake Mining expects earnings for 1981 to fall below earlier estimates of $2.20 (£1.20) a share, according to Mr Harry M. Conger, president and chief executive. This compares with the 1980 outcome of $5.96 a share.

Mr Conger said that the sharply lower gold price and lower prices in the other metals Homestake produces will give rise to reduced earnings and a cut in dividends.

The company, the biggest gold producer in the U.S., said last month that it was giving serious consideration to cutting its regularly 40 cents quarterly dividend in the third quarter because it was expecting a fall in profits. High interest rates and an increased need for capital were also causing problems.

Gold prices will average about $410 an ounce in the third quarter, down from $635 an ounce in the corresponding period of 1980, Mr Conger estimated.

Apart from gold, Homestake produces silver, lead, zinc and uranium.

The company expects between 30 and 40 per cent of its net profits to come from gold by 1985, when the big new discovery in California's Napa County should be in full production.

Homestake is also cutting its capital spending. Mr Douglas L. Drumwright, chief financial officer, said the company expects capital expenditure of about $80m this year, against earlier estimates of $105m.

In the first half of the year, Homestake made net profits of $22.3m, compared with $57m at the same stage of 1980.

Bigger loss at Pancontinental

AUSTRALIA'S Pancontinental Mining has turned in a net loss of A$2.56m (£1.6m) for the year to June 30, compared with a loss of A$1.34m last time. As before, no dividend is declared.

The company is still awaiting permission to go ahead with the development of the Jabiluka uranium deposit in Australia's Northern Territory, discovered some 10 years ago. Mr Tony Grey, the Pancontinental chairman, said in London earlier this year that he was hopeful that work could begin this year.

The shares gained 4p to 174p in London yesterday.

Recovery signs but Barton trails

ALTHOUGH pre-tax profits of Barton Group fell from £1.16m to £457,000 in the half-year to June 30 1981, Mr John Wardle, the chairman, says the results represent a very welcome improvement over the second half of 1980 when losses of £396,000 were reported.

Turnover of this Birmingham-based engineering and services group for the first half of the current year fel from £25 07m to £23.8m. Of this total, the UK share was £18.65m compared with £21.65m. Trading profits declined from £1.81m to £970,000, with the UK contribution falling from £1.64m to £708,000.

Interest charges were slightly lower at £511,000 (£587,000) and there was a tax charge of £211,000 (£300,000). After extraordinary debits of £48,000 this time the attributable loss was £48,000 (£517,000 profit). Earnings per 25p share are 1p (3.55p) and the interim dividend is cut to 1p (1.4p)—last year's total was 2.4p from pre-tax profits of £763,000.

Mr Wardle points out that the improvement shown compared with the second half last year is not as a result of a general improvment in trading conditions—of which there is no sign, he says—but purely through the efforts made to ensure the group could at least make a modest profit in the face of a severe reduction in demand.

Commenting on the tax charge, he says it is very high and requires some explanation. The only mainstream tax payable will arise in Canada and he feels it appropriate that ACT should be included as part of the tax charge.

Looking ahead, he says he can see little prospect of any general improvement during the remainder of the year in the sectors of industry in which the group operates. In the absence of outside circumstances beyond its control, he thinks it reasonable to look forward to a second half showing pre-tax profits at least similar to those for the first half. In that event, a total dividend comparable with last year will be recommended.

An abridged balance-sheet shows net current assets of £9.41m at end-June, compared with £10.83m at December 31 1980.

Oil & Gas Production at $0.7m

The Guernsey-based Oil and Gas Production reports 1981 first half pre-tax income of US$715,000 in its first interim statement since coming to the Market, in February this year, by way of an offer for sale. The directors regard the result as "satisfactory" and are paying a net interim of 1.5 cent together with a special payment of a similar amount.

Over the six months the company's investment in oil and gas production consisted on an interest in the Northeast Blanco natural gas field in New Mexico. The gross revenue from the sale of this production amounted to $564,000, from which operating income was $261,000. Interest added $581,000 before general overheads of $127,000.

The tax charge was $3,000 and stated earnings per fully paid share were 3,082 cents.

The directors point out that production was upset by a compressor breakdown, but the shortfall was to some extent offset by the higher average prices obtained which are officially regulated and permitted to rise in step with inflation.

Meanwhile the "tight sand" classification for the Fruitland Formation on the gas field, which will double the ceiling price of gas sold from there, has been confirmed. The company is hopeful of similar such classification being forthcoming for further formations.

A number of oil and gas properties have been and are being considered for acquisition in conjunction with the company's advisers Devon Energy Corporation.

NCC reveals £6.8m buy in U.S. oil and gas sites

MR GRAHAM Ferguson Lacey, chairman of NCC Energy, which is in the process of merging with Simplicity Pattern Company of America, revealed a new energy acquisition for NCC at yesterday's annual meeting.

The purchase of 80 per cent of the oil and gas wells owned by Lauderman Oil and Gas Drilling Company of the U.S. will cost a maximum of $12.5m (£6.8m), $4.5m of which will be paid within 30 days, and the remainder in March next year after an independent petroleum valuation.

The Lauderman properties cover 50,000 acres in West Virginia and Ohio. NCC would also have options over other properties presented to Lauderman, which would own 25 per cent of a new company, NCC Lauderman.

The main thread of questioning during the NCC meeting concerned the proposed merger with Simplicity. Shareholders regarded it as complicated, and asked Mr Ferguson Lacey for his assurances that it would be valuable to NCC and that Simplicity's shareholders would consent to it.

Mr Ferguson Lacey said that, when the 440-page document on the merger had been passed by the U.S. Securities and Exchange Commission, both sets of shareholders would be able to see that the merger was in their interests.

He refuted claims made by Carl Icahn, a U.S. investor with 13 per cent of Simplicity, who has said he may make a bid for Simplicity, that the merged group would have a negative net worth, and its bonds would have no value.

He also said that he did not regard Mr Icahn's statement about a possible bid as "credible."

Meanwhile Simplicity and NCC continue to prepare for the merger. Mr Graham Ferguson Lacey, who is now chairman of Simplicity's executive committee, said that Simplicity would not pay its normal December quarterly dividend if the deal goes through. Instead it would start paying interest from September 1 on the debenture stock due to be issued to Simplicity shareholders under the deal.

Mr Ferguson Lacey also told one shareholder that the new shares and warrants to be issued to NCC shareholders "will be quoted on the London market."

Last night NCC's shares were 100p, which compares with Mr Ferguson Lacey's claim that the merger terms are worth at least 150p a share to NCC's shareholders.

He said: "The reason your shares are at this level is because of the six weeks hiatus when the company changed its brokers, the long time the package has taken to formulate, and the complex nature of the transaction." When shareholders saw the documents they would be reassured, he said.

No date can yet be set for the publication of the documents or the special shareholder meetings to approve the merger.

GRANDMET INTNL. IN POLLUTION DEAL

Grandmet International Services has agreed, subject to contract, to purchase initially a majority interest in Powell Duffryn Pollution Control (PDPC) from Powell Duffryn.

The consideration, which would not exceed £0.5m, is subject to the outcome of certain overseas waste management projects.

Mr Trevor Barber, managing director of Grandmet International, said it was part of the company's strategy to develop into the waste management business, and added that this activity was a natural extension of the services already supplied by his company.

JOHN HAYTER

John Hayter (Agencies), a privately held Lloyd's agency company, has acquired Charles Howard Agencies, another Lloyd's members agency.

A new company, Charles Howard Underwriting, has been formed to manage the Charles Howard syndicates and John Hayter (Agencies) will have an interest in this company.

The move is believed to be the first acquisition of a stake by a members agency in a managing agency since Parliament relented, in July, over its requirement that managing agencies — the groups which run Lloyd's syndicates — should be precluded from acting as members agents, which introduce members to Lloyd's, and decided that a provision should be incorporated in a new Bill of Parliament.

Lloyd's is not to be required to incorporate this provision in its legislation.

Christian Salvesen buys cold stores in America

Christian Salvesen, the Edinburgh-based cold storage, transport and distribution company, is to make a major U.S. acquisition.

It has signed a conditional deal — believed to be worth over £10m — to buy nine cold stores totalling 22m cubic feet from Pet Inc., a subsidiary of I.C. Industries.

The stores are located across the U.S. in California, Minnesota, Missouri, Alabama, Georgia, Colorado, and New Jersey. After the Salvesen purchase, the stores will be run by the present management using the existing name of Merchants Refrigerating Company.

Salvesen, which did not give a figure for the proposed acquisition, said the stores are designed to serve both the processing and distribution sectors of the frozen food industry and parallel its existing European operations.

In the UK, Salvesen has 18 stores covering more than 50m cubic feet. It opened a big store at Warrington earlier this year and bought two modern stores in London and Nuneaton from Imperial Group.

Mr Barry Sealey, Salvesen's group managing director, said the company had wanted to invest in the U.S. for some time. Salvesen already is involved in the Belgian frozen food distribution business and is expanding its cold storage facilities in France.

The cold storage disposal to Salvesen will mark I.C. Industries' 15th sale in the past two and a half years. In the same period it has bought eight companies and three manufacturing facilities.

Caird agrees £0.4m cash offer from Belgian group

A major Belgian carpet manufacturing group has agreed the terms of an offer for Caird (Dundee), valuing the Scottish dyer and carpet printer at £400,000.

New Venture Carpets, part of the Beaulieu Ter Lembeek group of Belgium, is offering 15p cash for each 25p ordinary share. This compares with the 13p at which the shares were suspended on September 9.

NVC is also offering 40p each for the 18,000 £1 preference shares.

Beaulieu, which has operating subsidiaries in France, the U.S. and the UK, has given assurances that the interests of the group's staff and employees, numbering around 150, will be fully safeguarded and that there will be no significant redundancies.

The directors of Caird, who have been advised by Gresham Trust, intend to accept the offers in respect of their 270,330 ordinary units (10 per cent) and 375 preference shares. The group's major shareholder is Industrial and Commercial Finance Corporation with 29.85 per cent: Mr K. J. M. Manning holds 5.84 per cent.

Caird showed losses of £22,551 for the year ended March 31 1981 after a first half profit of £36,000. The directors explained that the second half deterioration was mainly because of the effect of volume imports from the EEC at highly competitive prices.

Caird said yesterday that current trading conditions were "difficult but not impossible."

Turnover in 1980-81 amounted to £4.56m compared with £4.09m in 1979-80 when there was a loss of £182,698.

The group achieved record profits of £750,365 in 1973-74 on a turnover of £4.9m. At that time the group employed around 480 people. Since 1973-74 the group has suffered a decline with losses in three of the last four years totalling almost £1m. There has been no dividend since 1975.

Gaunt figures qualified

Rowland Gaunt, which is the subject of an agreed partial offer for 65 per cent of the capital, yesterday revealed a pre-tax loss of £48,063 for the year ended June 30 1981. This compares with a deficit of £6,739 in the first half year and with a profit of £7,916 for the previous year.

Thornton Baker, the company's auditors, state in the preliminary announcement that the company's accounts have been prepared on a going concern basis. They say that the company's banking facilities are due for renewal on October 31 1981 "and because of the nature of the company's business it is not possible to determine with reasonable accuracy whether or not the banking facilities currently available to the company will be sufficient."

The company, based in Leeds, is engaged in the manufacture of ladies' costumes and coats. Its turnover declined to £541,516 in 1980-81, compared with £709,268. The year's attributable loss came out at £36,599 (£2,635 profit) and there is again no dividend.

The agreed offer announced last week was from Queensway Securities of Birmingham. It is offering 25p cash for each 25p share, valuing the company at £75,000. The shares were unchanged at 75p on the London Stock Exchange yesterday. This compares with 22p before the bid was announced.

The directors of Gaunt and certain other shareholders together holding a total of 77.24 per cent of the company's shares have irrevocably undertaken to accept the offer to the extent of 65 per cent of their holdingsh—amount ing to 50.2 per cent of the total capital. Queensway intends to retain the listing.

DURAPIPE

Cazenove and Company yesterday purchased 30,000 Durapipe International shares at 40p per share on behalf of Glynwed.

SHARE STAKES

Murray Caledonian Investment Trust—As a result of purchase of 225,000 ordinary shares on September 4, the NCB Staff Superannuation Scheme and Mineworkers Pension Scheme together with a subsidiary wholly-owned, now jointly hold a total of 7,691,416 ordinary (14.25 per cent).

Rowntree Mackintosh — Trustees of the Joseph Rowntree Memorial Trust have disposed of 100,000 ordinary shares at 179.5p, 100,000 at 182p, and 100,000 at 184p. They are now interested in 8,025,000 ordinary, representing 5.92 per cent.

Ward Holdings—The following transactions have taken place in the directors' shareholdings — D. J. Ward has bought 106,875 deferred ordinary and sold 125,000 ordinary; F. W. Cook has sold 25,000 ordinary and bought 37,500 deferred; J. V. Walker has sold 25,000 deferred and 70,000 ordinary.

Lawrie Plantation Holdings—Assam-Dooars Holdings has acquired 27,000 shares making holding 130,052 (7.07 per cent).

Firmin and Sons—J. M. Rogers, shares non-beneficial held in account of D. C. Stevens and J. M. Rogers; total holding 277,276 shares (10.66 per cent). J. M. Rogers, director, has disposed of 277,276 shares non-beneficial held in account of D. C. Stevens and J. M. Rogers, executors of F. J. Rogers deceased. Holding now nil.

Hanson Trust—As a result of a recent sale of 150,000 shares, by one of their subsidiaries, Prudential Corporation Group holds 5,346,928 shares (less than 5 per cent).

Senior posts at Gallaher Tobacco

Mr P. M. Wilson and Mr N. G. Anderson have been appointed directors of GALLAHER TOBACCO. Mr Wilson takes up his post in charge of marketing on October 1 and Mr Anderson will become production director on November 2. Mr Wilson is managing director of Gallaher (Dublin) and Mr Anderson, general manager, cigars, based in Cardiff.

★

SCOT CATERING has reorganised its Aberdeen-based company under a new group of directors. Mr Patrick Scott becomes group managing director. Mr Allan Thoms, previously general manager with the company, has been appointed operations director. Mr Grahame Mackie, who was previously financial controller for Scot Catering, has been appointed as financial director and deputy managing director. Mr Tom Rennie has been appointed chairman.

★

Mr Ian Hunter joins the board of NORTH WALL FISH as sales director responsible for Ocean Foods products. For the last three years Mr Hunter was sales manager at Ross Fish.

★

Mr Nicholas Walker has been appointed deputy managing director of HOLT LLOYD, the UK operating subsidiary of Holt Lloyd International. He moves from General Foods, where he was the director in charge of development and logistics.

★

Mr David Carr has been appointed managing director of KADEK VISION, a wholly owned Taylor Woodrow subsidiary.

★

Mr M. J. Fazakerley has joined LYDDON AND CO., stockbrokers, as an associate member. He was formerly a partner with Scrimgeour, Kemp-Gee and Co.

★

Mr Max Roberts has been appointed a non-executive director of CONSOLIDATED GOLD FIELDS.

★

Mr A. K. L. Stephenson has been elected chairman of J. W. SPEAR AND SONS. Mr Stephenson is also chairman of Twinlock, and a director of Dillon's University Bookshop, Manor National Group Motors, and other companies.

★

Mr Timothy Sherwen has been appointed deputy managing director of THOMAS NELSON AND SONS.

★

Mr Ivor H. Owen has been appointed chief executive of THORN EMI general engineering. Mr Owen succeeds Mr Stanley E. Jackson, who is relinquishing the position in order to assume full-time special executive duties for the engineering group prior to his retirement in 1982.

★

Mr C. P. R. Murray, chief general manager—service and parts—of the KENNING MOTOR GROUP, has been appointed to the board.

★

EURO - LATINAMERICAN BANK (Eulabank) has appointed Dr Jorge Morales Trevino, president of its Mexican shareholder Banca Serfin S.A., as vice-chairman.

★

Sir John Buckley, Mr Maurice Bay Lawson, Mr Ernest Chapman, Mr Norman Spencer Smith and Mr Adrian G. Randag have been appointed directors of FUERST DAY LAWSON HOLDINGS.

★

UNIROYAL Europe has appointed Mr James C. Milne as European controller for the engineered products company.

★

Mr John Chadwick has been appointed director of SUNDRIDGE PARK MANAGEMENT CENTRE. He was director of operations with PA International in London.

★

Mr Christopher J. Langford has joined the partnership of LAURENCE PRUST AND COMPANY, stockbrokers.

★

Mr David Kingsley has joined the board of LEE COOPER LICENSING SERVICES as a non-executive director.

★

ESPLEY-TYAS PROPERTY GROUP has made the following appointments: Mr T. I. McKenzie, chief accountant in the construction division has been promoted to group chief accountant. Mr C. Miller, development manager of the UK property division, has been appointed a director of Espley-Tyas Properties. Mr B. Forsbrook has joined the group as chief accountant of the property division. Mr J. E. Pope, the construction division's systems development manager has been promoted company secretary and chief accountant of that group of companies. Mr M. Grey-Smart, while remaining as company secretary of the property division has been appointed assistant group company secretary.

★

Mr J. D. Daniel has been appointed corporate planner of POWELL DUFFRYN.

★

MOY PARK, a member of the Courtaulds Group, has appointed Mr Joe O'Toole to the board as sales director.

BASE LENDING RATES

A.B.N. Bank	12 %	■ Guinness Mahon	12 %
Allied Irish Bank	12 %	■ Hambros Bank	12 %
American Express Bk.	12 %	Heritable & Gen. Trust	12 %
Amro Bank	12 %	■ Hill Samuel	§12 %
Henry Ansbacher	12 %	C. Hoare & Co.	†12 %
■ Arbuthnot Latham	12 %	Hongkong & Shanghai	12 %
Associates Cap. Corp.	12 %	Knowsley & Co. Ltd.	12½%
Banco de Bilbao	12 %	Langris Trust Ltd.	12 %
BCCI	12 %	Lloyds Bank	12 %
Bank of Cyprus	12 %	Mallinhall Limited	12 %
Bank of N.S.W.	12 %	Edward Manson & Co.	13 %
Banque Belge Ltd.	12 %	Midland Bank	12 %
Banque du Rhone et de la Tamise S.A.	12½%	■ Samuel Montagu	12 %
Barclays Bank	12 %	■ Morgan Grenfell	13 %
Beneficial Trust Ltd.	13 %	National Westminster	12 %
Bremar Holdings Ltd.	13 %	Norwich General Trust	12 %
Bristol & West Invests.	13 %	P. S. Refson & Co.	12 %
Brit. Bank of Mid. East	12 %	Slavenburg's Bank	12 %
■ Brown Shipley	13 %	E. S. Schwab	13 %
Canada Perm't Trust	13 %	Standard Chartered	‖12 %
Cayzer Ltd.	12 %	Trade Dev. Bank	12 %
Cedar Holdings	12 %	Trustee Savings Bank	12 %
■ Charterhouse Japhet	13 %	TCB Ltd.	12 %
Choulartons	12 %	United Bank of Kuwait	12 %
Citibank Savings	¶13 %	Whiteaway Laidlaw	12½%
Clydesdale Bank	12 %	Williams & Glyn's	12 %
C. E. Coates	12 %	Wintrust Secs. Ltd.	12 %
Consolidated Credits	12 %	Yorkshire Bank	12 %
Co-operative Bank	*12 %		
Corinthian Secs.	12 %		
The Cyprus Popular Bk.	12 %		
Duncan Lawrie	12 %		
Eagil Trust	12 %		
E. T. Trust Limited	12 %		
First Nat. Fin. Corp.	15 %		
First Nat. Secs. Ltd.	15 %		
Robert Fraser	12 %		
Antony Gibbs	12 %		
Grindlays Bank	‡12 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 9%. 1-month 9½%. Short term £4,000/12 months 11.85%.
† 7-day deposits on sums of £10,000 and under 9%, up to £50,000 10% and over £50,000 11%.
‡ Call deposits £1,000 and over 9%.
§ Demand deposits 9½%.
‖ 21-day deposits over £1,000 10½%.
¶ Mortgage base rate.

EUROPEAN OPTIONS EXCHANGE

Series		Nov. Vol.	Nov. Last	Feb. Vol.	Feb. Last	May Vol.	May Last	Stock
GOLD C	$400	2	70	—	—	—	—	$455.25
GOLD C	$425	6	50.50	—	—	—	—	"
GOLD C	$450	36	35	9	56	10	77	"
GOLD C	$475	25	18.50	218	39	—	—	"
GOLD C	$500	50	14	20	52	—	—	"
GOLD C	$525	14	7.50	—	—	—	—	"
GOLD P	$400	49	4	—	—	—	—	"
GOLD P	$450	35	13A	—	—	—	—	"
GOLD P	$500	3	46	—	—	—	—	"
		Oct.		Jan.		April		
AKZO C	F.22.50	5	2.10	—	—	—	—	F.23.90
AKZO C	F.25	13	0.70	15	2.10	—	—	"
AKZO C	F.27.50	—	—	19	0.90	—	—	"
AMRO C	F.55	18	1.70	3	3.30	—	—	F.54.40
AMRO C	F.60	—	—	7	1.80	—	—	"
HEIN C	F.45	10	5.80	—	—	—	—	F.50.60
HEIN C	F.55	5	0.70	10	2.30	—	—	"
HEIN C	F.60	—	—	5	1.90	—	—	"
HOOG C	F.17.50	—	—	4	1.40	—	—	F.16.80
KLM C	F.90	—	—	—	—	2	20	F.100
KLM C	F.100	53	5.60B	8	10.50	—	—	"
KLM C	F.110	79	3.20	—	—	—	—	"
KLM C	F.120	45	1.10	5	5.50	—	—	"
KLM C	F.130	10	0.50	6	3	—	—	"
KLM C	F.150	—	—	25	1.30	—	—	"
KLM P	F.90	69	1.50	12	3.70	—	—	"
KLM P	F.100	10	5	8	8.40	—	—	"
NEDL C	F.150	37	5	2	12.50	—	—	F.147.80
NEDL C	F.160	7	1.70	32	7	—	—	"
NEDL C	F.170	10	0.70A	165	3.80	—	—	"
NEDL C	F.180	8	0.50	2	2.30	—	—	"
NEDL P	F.140	17	1.10	—	—	—	—	"
NEDL P	F.150	—	—	15	6.80	—	—	"
NEDL P	F.160	53	13	—	—	—	—	"
NATN C	F.115	—	—	2	5.80	—	—	F.113.30
NATN C	F.120	5	0.40	—	—	—	—	"
NATN C	F.125	—	—	2	1.30	—	—	"
PHIL C	F.20	10	1.90	24	3	55	3.60	F.21.30
PHIL C	F.22.50	38	0.40	35	1.50	8	2.40	"
PHIL C	F.25	—	—	6	0.70	25	1.30	"
PHIL P	F.22.50	46	1.20	—	—	—	—	"
POLA C	$25	10	2⅛	—	—	—	—	$25⅛
RD C	F.80	97	4.30	9	7.60	—	—	F.81
RD C	F.90	177	0.70	35	3.60	17	6	"
RD C	F.100	45	0.20	75	1.70	—	—	"
RD P	F.80	208	2.10	15	3.70	15	5	"
RD P	F.90	36	9.60	27	10.40	—	—	"
RD P	F.100	—	—	22	19 B	—	—	"
UNIL C	F.150	2	5	8	9.50	—	—	F.149.50
UNIL C	F.160	—	—	4	4	—	—	"
UNIL C	F.170	—	—	10	1.50	—	—	"
UNIL P	F.150	—	—	5	7	—	—	"
		Nov.		Feb.		May		
MANN C	DM.160	4	2	10	7	—	—	DM150.50
SLUM C	$60	—	—	10	5⅝	—	—	$57⅞

TOTAL VOLUME IN CONTRACTS 2546

A=Asked B=Bid C=Call P=Put

CURRENCIES, MONEY and GOLD

Dollar weak

Dollar fell sharply in late European trading, finishing around its lowest level of the day against most major currencies. Lower Eurodollar interest rates began the trend, while the Federal funds overnight rate in New York also began the day lower than expected, and several U.S. banks cut their prime lending and broker loan rates. News that Chemical Bank cut its broker loan rate to 17½ per cent from 18 per cent, and Continental Illinois to 17 per cent, had a particularly depressing effect on the dollar, which fell to its lowest level since the end of April against the Swiss franc.

Sterling continued to improve following Monday's move by the Bank of England to force up short-term London interest rates.

European currencies gained ground against the dollar, while the D-mark and Dutch guilder remained firm at the top of the European Monetary System.

DOLLAR — trade-weighted index (Bank of England) fell to 108.8 from 110.1. The U.S. currency fell to SwFr 1.9990 against the Swiss franc, the lowest closing level since April 28, compared with SwFr 2.03 on Monday. It weakened to DM 2.3360 from DM 2.3740 against the D-mark, to FFr 5.5975 from FFr 5.7010 in terms of the French franc, and to Y225.50 from Y230.10 against the Japanese yen.

STERLING — trade-weighted index (Bank of England) rose to 88.5 from 87.0, after opening at 87.9 and rising to 88.0 at noon. The pound opened at $1.8150-$1.8160, and fell sharply to $1.8030-1.8040 in the early morning. It improved to $1.8150-$1.8160 again by noon, and touched $1.8410-1.8420 in the late afternoon, reflecting the dollar's weakness, before closing at $1.8350-1.8360, a rise of 4.05 cents on the day.

D-MARK—Very firm at the top of the European Monetary System, and recently improved against the dollar. After falling to a five-year low against the U.S. currency in early August, the D-mark has improved on a slightly easier trend in U.S. interest rates and a better trade performance. The market remains nervous about future trends in interest rates and continued tension in Poland—The D-mark gained ground against the dollar, reflecting the downward trend in U.S. interest rates. The Bundesbank did not intervene when the dollar was fixed at DM 2.3500, compared with DM 2.3743, and probably was not active in the open market. By the late afternoon the dollar had fallen to DM 2.3350, as market sentiment swung in favour of the D-mark and Swiss franc in comparison with the dollar. Sterling improved on the rise in London interest rates, rising to DM 4.27 from DM 4.2130 at the fixing, and touching DM 4.30 in the afternoon.

ITALIAN LIRA — Losing ground within the EMS despite the recent exchange control regulations and an inflow of funds during the tourist season. A weak economy and high interest rates are behind the current weakness — The lira showed mixed changes at the Milan fixing, losing ground to most members of the EMS but improving against the dollar and two of Europe's strongest currencies, the Swiss franc and Dutch guilder. Sterling rose to L2,157.70 from L2,124.15, and the D-mark to L504.89 from L504.52. On the other hand the Swiss franc fell to L591.85 from L592.80, the Dutch guilder to L456.56 from L456.62, and the dollar to L1,188.30 from L1,196.05. Lower short-term U.S. interest rates were behind the decline of the U.S. currency, which continued to fall to around L1,187.50 in the afternoon.

THE DOLLAR SPOT AND FORWARD

Sept 15	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.8030-1.8420	1.8350-1.8360	0.38-0.48c dis	−2.81	1.30-1.40dis	−2.94
Ireland†	1.5455-1.5590	1.5555-1.5575	0.18-0.08c pm	0.85	0.20 pm-par	0.26
Canada	1.1980-1.2008	1.2005-1.2008	0.34-0.39c dis	−3.65	0.79-0.84dis	−2.72
Nethlnd.	2.5810-2.6070	2.5810-2.5840	1.10-1.00c pm	4.85	3.17-3.07 pm	4.80
Belgium	38.25-38.57	38.25-38.27	10-15c dis	−3.90	25-31 dis	−2.91
Denmark	7.3520-7.4050	7.3520-7.3570	2.10-2.35ore dis	−3.62	2.85-3.35dis	−1.68
W. Ger.	2.3340-2.3580	2.3355-2.3365	1.09-1.04pf pm	5.47	3.18-3.13 pm	5.40
Portugal	65.50-66.70	65.50-65.85	30-100c dis	−11.76	50-220 dis	−8.14
Spain	95.30-95.80	95.30-95.35	5-15c dis	−1.26	25-45 dis	−1.47
Italy	1165-1191	1165-1187	7½-9lire dis	−8.31	26-29 dis	−9.24
Norway	5.9200-5.9680	5.9220-5.9240	2½-2ore pm	4.56	6.30-5.80 pm	4.08
France	5.5950-5.6550	5.5950-5.6000	2-2½c dis	−4.80	6-6¾ dis	−4.53
Sweden	5.6250-5.6415	5.6250-5.6275	2.40-2.20ore pm	4.90	6.85-6.65 pm	4.79
Japan	224.60-228.00	225.45-225.55	1.95-1.80y pm	9.98	5.85-5.70 pm	10.24
Austria	16.47-16.55	16.47½-16.48½	9.20-7.70gro pm	6.15	22½-18½ pm	4.97
Switz.	1.9920-2.0140	1.9985-1.9995	1.22-1.12c pm	7.02	3.70-3.60 pm	7.30

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

THE POUND SPOT AND FORWARD

Sept 15	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.8030-1.8420	1.8350-1.8360	0.38-0.48c dis	−2.81	1.30-1.40dis	−2.94
Canada	2.1600-2.2040	2.2010-2.2020	1.05-1.15c dis	−5.99	2.90-3.10dis	−5.45
Nethlnd.	4.70-4.75	4.73½-4.74½	1-½c pm	1.90	2½-2⅛ pm	2.00
Belgium	69.50-70.30	70.15-70.25	47-62c dis	−9.32	110-125 dis	−6.69
Denmark	13.35-13.50	13.44½-13.45½	7-8ore dis	−6.69	16-17½ dis	−4.98
Ireland	1.1660-1.1780	1.1735-1.1750	0.28-0.39p dis	−3.42	0.84-1.04dis	−3.20
W. Ger.	4.24-4.31	4.28½-4.29½	1½-½pf pm	2.45	2⅞-2⅛ pm	2.45
Portugal	119.00-121.50	121.10-121.30	80-220c dis	−14.85	190-230 dis	−6.93
Spain	172.50-175.25	174.90-175.10	60-85c dis	−4.97	190-230 dis	−4.80
Italy	2148-2176	2170½-2172½	17½-19¾lire dis	−10.36	65-69 dis	−12.43
Norway	10.73-10.90	10.87-10.88	2-3¼ore dis	−2.89	2½-1¼ pm	0.69
France	10.19-10.30	10.27-10.28	5¾-6¾c dis	−7.30	18½-19½ dis	−7.40
Sweden	10.17-10.36	10.33-10.35	1½-½ore pm	1.23	4-3¼ pm	1.38
Japan	408-416	413½-414½	2.65-2.35y pm	7.25	7.45-7.15 pm	7.06
Austria	29.80-30.25	30.18-30.23	8-3gro pm	2.18	16½-6½ pm	1.52
Switz.	3.60-3.68	3.66½-3.67½	1½-½c pm	3.27	3¾-3¼ pm	3.81

Belgian rate is for convertible francs. Financial franc 77.25-77.35. Six-month forward dollar 2.58-2.68c dis. 12-month 4.80-5.00c dis.

CURRENCY MOVEMENTS

Sept. 15	Bank of England Index	Morgan Guaranty Changes%
Sterling	88.5	−34.7
U.S. dollar	106.8	−2.6
Canadian dollar	88.1	−16.9
Austrian schilling	114.0	+23.4
Belgian franc	106.4	+10.5
Danish kroner	88.0	−8.2
Deutsche mark	118.9	+40.3
Swiss franc	139.7	+88.2
Guilder	110.4	+16.6
French franc	83.4	−11.0
Lira	57.3	−56.0
Yen	142.5	−36.8

Based on trade weighted changes from Washington agreement December, 1971. Bank of England Index (base average 1975=100).

CURRENCY RATES

Sept. 14	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.640665	0.591263
U.S. $	14	1.13718	1.04831
Canadian $	20.18	1.36769	1.26667
Austria Sch.	6¾	18.8568	17.4329
Belgian F.	13	44.1681	40.6744
Danish K.	11	8.46517	7.78580
D mark	7½	2.70001	2.48240
Guilder	9	2.98112	2.74416
French Fr.	9½	6.46999	5.95440
Lira	19	1360.07	1253.26
Yen	6¼	263.671	241.111
Norwgn. Kr.	9	6.89984	6.23901
Spanish Pts.	8	109.811	101.057
Swedish Kr.	12	Unavail	5.95440
Swiss Fr.	6	"	2.11601
Greek Dr'ch.	20½	—	61.0955

OTHER CURRENCIES

Sept. 15	£	$		£ Note Rates
Argentina Peso†	10,121-10,141	5534-5554†	Austria	29.90-30.30
Australia Dollar	1.5910-1.5950	0.8665-0.8675	Belgium	76.60-77.40
Brazil Cruzeiro	190.25-191.25	104.12-104.64	Denmark	13.36-13.51
Finland Markka	8.249-8.267	4.5180-4.5200	France	10.28-10.42
Greek Drachma	104.032-104.801	57.70-57.90	Germany	4.26-4.31
Hong Kong Dollar	10.92½-10.94	5.9770-5.9820	Italy	2120-2175
Iran Rial	143.10*	80.50*	Japan	412-417
Kuwait Dinar (KD)	0.508-0.514	0.2830-0.2832	Netherlands	4.70¼-4.75¼
Luxembourg Fr.	70.15-70.25	38.25-38.27	Norway	10.73-10.85
Malaysia Dollar	4.32-4.33	2.3630-2.3660	Portugal	117½-130
New Zealand Dlr.	2.2015-2.2065	1.1985-1.1995	Spain	170½-181
Saudi Arab. Riyal	6.14-6.30	3.4170-3.4185	Sweden	10.19-10.39
Singapore Dollar	3.9350-3.9450	2.1550-2.1560	Switzerland	3.63-3.68
Sth. African Rand	1.7280-1.7300	0.9415-0.9425	United States	1.81¾-1.83¾
U.A.E. Dirham	6.59-6.68	3.6720-3.6740	Yugoslavia	75-79

† Rate given for Argentina is the commercial rate. The financial rate for sterling is 13,540-13,560 and for the dollar 7,390-7,440. * Sterling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU September 15	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	40.7985	40.7519	−0.11	+0.99	±1.5381
Danish Krone	7.91917	7.81844	−1.27	−0.17	±1.6413
German D-Mark	2.54502	2.48845	−2.22	−1.12	±1.1386
French Franc	5.99526	5.97218	−0.38	+0.72	±1.3638
Dutch Guilder	2.81318	2.75326	−2.13	−1.03	±1.5159
Irish Punt	0.685145	0.681132	−0.59	+0.51	±1.6688
Italian Lira	1262.92	1256.12	−0.54	−0.30	±4.1116

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times. Sterling/ECU rate for September 15—0.582594

EXCHANGE CROSS RATES

Sept. 15	Pound Sterling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild'	Italian Lira	Canadia Dollar	Belgian Franc
Pound Sterling	1.	1.836	4.290	414.0	10.275	3.670	4.740	2172.	2.202	70.20
U.S. Dollar	0.545	1.	2.337	225.6	5.598	1.999	2.582	1183.	1.199	38.25
Deutschemark	0.233	0.428	1.	96.50	2.395	0.855	1.105	506.2	0.513	16.36
Japanese Yen 1,000	2.415	4.434	10.36	1000.	24.82	8.865	11.45	5245.	5.318	169.6
French Franc 10	0.973	1.786	4.175	402.9	10.	3.572	4.613	2113.	2.143	68.32
Swiss Franc	0.272	0.500	1.169	112.8	2.800	1.	1.292	591.7	0.600	19.13
Dutch Guilder	0.211	0.387	0.905	87.34	2.168	0.774	1.	458.1	0.464	14.81
Italian Lira 1,000	0.461	0.845	1.976	190.7	4.732	1.690	2.183	1000.	1.014	32.33
Canadian Dollar	0.454	0.834	1.949	188.1	4.667	1.667	2.153	986.4	1.	31.89
Belgian Franc 100	1.425	2.615	6.111	589.7	14.64	5.228	6.752	3093.	3.136	100.

FT LONDON INTERBANK FIXING (11.00 a.m. SEPTEMBER 15)

3 months U.S. dollars		6 months U.S. dollars	
bid 17 11/16	offer 17 13/16	bid 17 15/16	offer 17 15/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

EURO-CURRENCY INTEREST RATES (Market closing Rates)

Sept. 15	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Belgian Franc Convertible	Japanese Yen
Short term	14½-14¾	16⅝-16⅞	19½-20½	11-11½	5-6	11½-11⅞	17¼-18	17-20	16-18	6½-7
7 days' notice	14⅝-14¾	16¾-17	19½-20½	11-11¼	8-8½	11½-11⅞	18-19	21-24	16½-22	6¾-7⅛
Month	14⅝-14¾	16¾-17	20¼-20½	12⅛-12⅜	10⅜-10⅝	11⅞-12	20¼-21¼	23½-25½	22-24	7⅛-7½
Three months	14⅝-14¾	17-17¼	20-20½	12⅜-12⅝	10⅛-10⅜	12⅛-12¼	21-22	26½-28	20½-22	7¼-7½
Six months	14⅝-14¾	17½-17¾	19⅞-19⅞	12⅛-12⅜	10⅛-10⅜	12⅛-12¼	22-22½	27-28½	19½-20½	7¼-7⅝
One Year	14¾-15	17½-17¾	19½-19⅞	12⅛-12⅜	10-10⅜	12⅛-12¼	22½-23	27-28½	18½-19	7½-7⅝

SDR linked deposits: one-month 14⅛-15⅛ per cent; three-months 15⅜-15⅞ per cent; six-months 15⅝-16⅛ per cent; one-year 15⅝-15⅞ per cent. ECU linked deposits: one-month 15⅛-16⅛ per cent; three-months 16⅛-16⅜ per cent; six-months 16⅛-16⅝ per cent; one-year 16⅛-16⅜ per cent. Asian $ (closing rates in Singapore): one-month 17⅛-17⅜ per cent; three-months 17⅛-17⅜ per cent; six-months 17⅛-18 per cent; one year 17¾-17⅞ per cent. Long-term Eurodollar two years 17⅛-17⅜ per cent; three years 17-17¼ per cent; four years 16⅞-17⅛ per cent; five years 16⅞-17 per cent; nominal closing rates. The following nominal rates were quoted for London dollar certificates of deposit: one-month 16.60-16.70 per cent; three-months 17.05-17.15 per cent; six-months 17.35-17.30 per cent; one year 16.95-17.05 per cent.

MONEY MARKETS

Nervous trading

London clearing banks base lending rates 12 per cent

Trading remained nervous in the London money market yesterday. Monday's signal by the Bank of England for higher interest rates did not see a rise in clearing banks' base rates. However, such a move is seen as imminent. Rates yesterday tended to reflect the higher level at which the authorities have been operating in the market. One-month eligible bank bills were quoted at 13⅞-14⅛ per cent compared with 13¾-14 per cent on Monday. The key seven-day interbank rate traded between 13½ per cent and 13⅞ per cent but there was little evidence of any round tripping in the light of current upward pressure on base rates.

The Bank of England's early forecast of around a £200m shortage was attributable to bills maturing in official hands —£60m; and the repayment of Monday's market advances —£79m. The Bank gave assistance totalling £42m in the morning, comprising £6m eligible bank bills in band 1 at 13⅞ per cent and £36m eligible bank bills in band 2 at 13⅞-14 per cent. During the afternoon further assistance was given totalling £137m to give a grand total of £179m. The afternoon help comprised £112m of eligible bank bills in hand 1 at 13⅞-14⅛ per cent; £3m Treasury bills in band 2 at 13⅞ per cent; and £22m eligible bank bills in band 2 at 13⅞-14 per cent.

In the interbank market overnight money opened at 13⅞-14⅛ per cent and rose to 14⅛-14¼. Rates eased to 13⅛-13⅜ per cent, prompting renewed demand and pushing rates back to 13⅞-14 per cent before falling away to 7-9 per cent later in the day but finished at 15 per cent.

In New York, Chemical Bank cut its broker loan rate to 17½ per cent from 18 per cent followed by Continental Illinois which reduced its rate to 17 per cent from 18 per cent. Federal funds were trading at 16⅛ per cent little changed from Monday.

In Paris call money rose to 17½ per cent from 17⅛ per cent, the first change since August 28 and the first upward move since the newly-elected Socialist Government increased the rate to a record 20 per cent. There was no clear indication as to why the rate had risen although some dealers suggested that such a move would help counter a decline in the franc against the D-mark. Period rates were all firmer with one-month money at 17⅞ per cent compared with 17½ per cent on Monday and three-month money at 17⅞ per cent against 17½ per cent.

GOLD

Firmer trend

Gold rose $8 to $456-460 in the London bullion market yesterday, reflecting the weakness of the dollar and the lower trend in U.S. interest rates. The metal opened at $458-459, but attracted some profit taking around lunch time, falling to a low of $453½-454½, before recovering in late trading.

In Paris the 12½ kilo gold bar was fixed at FFr 82,500 per kilo ($510.70 per ounce) in the afternoon, compared with FFr 82,000 ($506.45) in the morning, and FFr 81,500 ($501.85) Monday afternoon.

In Frankfurt the 12½ kilo bar was fixed at DM 34,620 per kilo ($456.96), against DM 34,750 ($455.20), and closed at $455-457, compared with $450-452.

In Luxembourg the 12½ kilo bar was fixed at the equivalent of $457.35, against $456.60.

In Zurich gold finished at $455-458, compared with $450-453.

	Sept. 15		Sept. 14	
Gold Bullion (fine ounce)				
Close	$458-460	(£249½-250½)	$450-452	(£251½-252½)
Opening	$458-459	(£252¼-253)	$455½-456½	(£251-255½)
Morning fixing	$455.25	(£251.062)	$456	(£256.036)
Afternoon fixing	$456	(£248.840)	$451.25	(£252.801)
Gold Coins				
Krugerrand	$471½-472½	(£256½-257½)	$470-473	(£262¾-264¼)
½ Krugerrand	$243-244	(£132½-132¾)	$239-242	(£133½-135)
¼ Krugerrand	$124-125	(£67½-68)	$121-124	(£67½-69)
1/10 Krugerrand	$50½-51½	(£27½-28)	$49-52	(£27¼-29)
Mapleleaf	$471½-472½	(£256½-257½)	$470-475	(£262½-264½)
New Sovereigns	$113½-114½	(£61½-63)	$111½-112½	(£62¼-62¾)
King Sovereigns	$126-127½	(£68½-69½)	$125-127	(£69½-70½)
Victoria Sovs	$126-127½	(£68½-69½)	$125-127	(£69½-71)
French 20s	$133-137	(£72½-74½)	$132-135	(£73½-76½)
50 pesos Mexico	$568-571	(£309-310½)	$562-565	(£313½-315½)
100 Cor. Austria	$444-447	(£241½-243½)	$439-442	(£245¼-246½)
$20 Eagles	$386-391	(£210-212½)	$385-390	(£215¾-217½)

LONDON MONEY RATES

Sept. 15 1981	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	7-15	14-14⅛	—	—	—	9-14	—	—	—
2 days notice	—	—	14⅛-14¼	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	14-14⅛	14⅛-14¼	—	—	—	13½-13⅞	—	—	—
One month	14⅛-14¼	14⅛-14¼	14⅛	15-14½	14⅛	—	13⅞	14-14⅛	14⅛	14⅜
Two months	14⅛-14¼	14⅛-14¼	—	15-14¼	14⅛	—	13⅞	14-14⅛	14⅛	14⅝
Three months	14⅛-14⅜	14⅛-14⅜	14⅛	15-14¼	14⅛	—	13⅞-13⅞	13⅞	14¼	14⅜
Six months	14⅛-14⅜	14⅛-14⅜	14⅛	15-14⅛	14⅛	—	—	—	13⅞-13⅞	14⅛
Nine months	14⅛-14⅜	14⅛-14⅜	—	14⅛-14⅛	14⅛	—	—	—	—	—
One year	14⅛-14⅜	14⅛-14⅜	14⅛	14⅛-14⅛	14⅛	—	—	—	—	—
Two years	—	—	14⅛	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days' fixed. Long-term local authority mortgage rates nominally three years 14⅝ per cent; four years 15 per cent; five years 15⅛ per cent. ♦ Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 13⅞-14 per cent; four-months trade bills 14⅞ per cent.

Approximate selling rate for one-month Treasury bills 13¾-13⅞ per cent; two-months 13⅞-13⅞ per cent; three-months 13⅞-13⅞ per cent. Approximate selling rate for one-month bank bills 13⅞-13⅞ per cent; two-months 13⅞-13⅞ per cent and three-months 13⅞-13⅞ per cent; one-month trade bills 14⅝ per cent; two-months 14⅞ per cent and three-months 14⅞ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 14½ per cent from September 1, 1981. Clearing Bank Deposit Rates for sums at seven days' notice 9 per cent. Clearing Bank Rates for lending 12 per cent. Treasury Bills: Average tender rate of discount 13.2110 per cent.

MONEY RATES

NEW YORK	
Prime rate	20-20½
Fed funds	16⅛-16⅜
Treasury bills (13-week)	14.25
Treasury bills (26-week)	14.43
GERMANY	
Special Lombard	12.0
Overnight rate	11.95
One month	12.40
Three months	12.55
Six months	12.90
FRANCE	
Intervention rate	17.0
Overnight rate	17.5
One month	17.4375
Three months	17.3125
Six months	16.3125
JAPAN	
Discount rate	6.25
Call (unconditional)	7.4375
Bill discount (three-month)	7.40625

COMPANY NOTICES

WORLD WIDE GROWTH MANAGEMENT COMPANY S.A.
10A, Boulevard Royal, Luxembourg

NOTICE TO SHAREHOLDERS OF WORLD WIDE GROWTH FUND

Investment objective and Policy of the Management Regulations is amended as follows:

The Fund seeks as its principal objective long-term growth of its assets by diversified investment in securities. In view of this objective, the Fund's assets shall be mainly invested in securities issued by companies established in European countries, in the United States of America and in other areas offering growth potential. In due consideration of the diversification of geographical and monetary risks and of the characteristics of industries in each country selection will be made mostly among and from stocks with growth potential and high marketability.

If it appears unadvisable at any point in time to invest any part of the available assets of the Fund, such assets may be kept in bank accounts on demand or short term.

WORLD WIDE GROWTH MANAGEMENT COMPANY

GRANGES
(The Grangesberg Company)
6¼% U.S.$ LOAN 1987

S. G. WARBURG & CO. LTD. announce that the redemption instalment of Bonds due 16th October, 1981 for a nominal value of U.S.$900,000 has been met by purchases in the market.

U.S.$5,400,000 nominal amount of Bonds will remain outstanding after 16th October, 1981.

30, Gresham Street, London, EC2P 2EB.
16th September, 1981.

FAELLESFORENINGEN FOR DANMARKS BRUGSFORENINGER CO-OP DENMARK

US$10,000,000 8¾% NOTES DUE OCTOBER 15, 1984

NOTICE IS HEREBY GIVEN to the bondholders of the above issue, that the second redemption instalment due on October 15, 1981 i.e. US$2,000,000 has been bought back in the market by the company.

Amount outstanding: US$6,000,000.

For Faellesforeningen for Danmarks Brugsforeninger CO-OP Denmark
BANK OF AMERICA INTERNATIONAL S.A., Luxembourg
Fiscal Agent & Principal Paying Agent

Luxembourg, September 16, 1981.

THE GREAT NORTHERN TELEGRAPH COMPANY (LIMITED)
THE GREAT NORTHERN TELEGRAPH COMPANY'S HOLDING COMPANY LIMITED

HALF-YEAR STATEMENT 1981 FOR THE GREAT NORTHERN TELEGRAPH COMPANY, LIMITED OF DENMARK.

For the first half of 1981 The Great Northern Group recorded an increase in turnover of 8%, compared with the year before. A marked rise in exports more than compensated for the continued recession on the home market.

The rise in exports was a result of the intensified export drives and of some improvement in the competitiveness which benefited from the more moderate developments in wages and costs in Denmark, supported by the strengthening of the major currencies relative to the Danish Krone. In addition, the cost reductions implemented at the end of 1980 now have full effect.

Although the total market situation does not show signs of recovery it is still expected that Group results for 1981 will show a distinct improvement on 1980.

ERIK MOLLERUP
Chairman of The Board of Directors.
8th September 1981.

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRs) IN OKUMA MACHINERY WORKS LTD.

NOTICE IS HEREBY GIVEN that pending the payment of an interim cash dividend, the shareholders' register will be closed for the period October 1-November 15, 1981, and during this period it will not be possible to register the transfer of shares withdrawn against the surrender of EDRs.

Furthermore, it has also been declared that the shares will be traded ex-dividend on the Japanese Stock Exchanges with effect from September 26, 1981.

Subject to approval of the dividend, a further notice will be published stating the amount and actual date of payment of such dividend together with the procedure to be followed for obtaining payment thereof as soon as practicable after receipt of the dividend by the Depositary. Coupon No. 4 attached to the EDRs will be used for collection of this dividend.

CITIBANK, N.A. London.
September 16, 1981.

SOCIETE GENERALE ALSACIENNE DE BANQUE

SUS 20,000,000 FLOATING RATE NOTES 1979-89 91

For the six months July 15, 1981 to January 14, 1982, the notes will carry an interest rate of 18% per annum.

The interest due January 15, 1982 against coupon No. 5 will be SUS 94.24 and has been computed on the actual number of days elapsed (184) divided by 360.

The Principal Paying Agent
SOCIETE GENERALE ALSACIENNE DE BANQUE
15, Avenue Emile Reuter, LUXEMBOURG.

STANDARD BANK IMPORT & EXPORT FINANCE COMPANY LIMITED

US$50,000,000 GUARANTEED FLOATING RATE NOTES DUE 1985
(Convertible at the option of the Noteholder into 9¾% Guaranteed Bonds due 1985).

NOTICE IS HEREBY GIVEN that the Rate of Interest has been fixed at 18⅛% and the Coupon Amount payable March 16, 1982, against Coupon No. 3 will be U.S.$2,325.35. The Conversion Interest Amount payable March 31, 1982, against Coupon No. 3 will be U.S.$101.56.

By CITIBANK, N.A., London, Agent Bank.
September 16, 1981.

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PUBLIC NOTICE

CITY OF WESTMINSTER

London Borough Bills amounting to £180 million were issued on 15 September 1981 for maturity on 15 December 1981. Applications totalled £510½ million. The minimum price of accepted tenders was £96.70 and 40% of the issue was allotted at this price. The average rate of discount was 13.2223%. No other Bills are outstanding.

CLUBS

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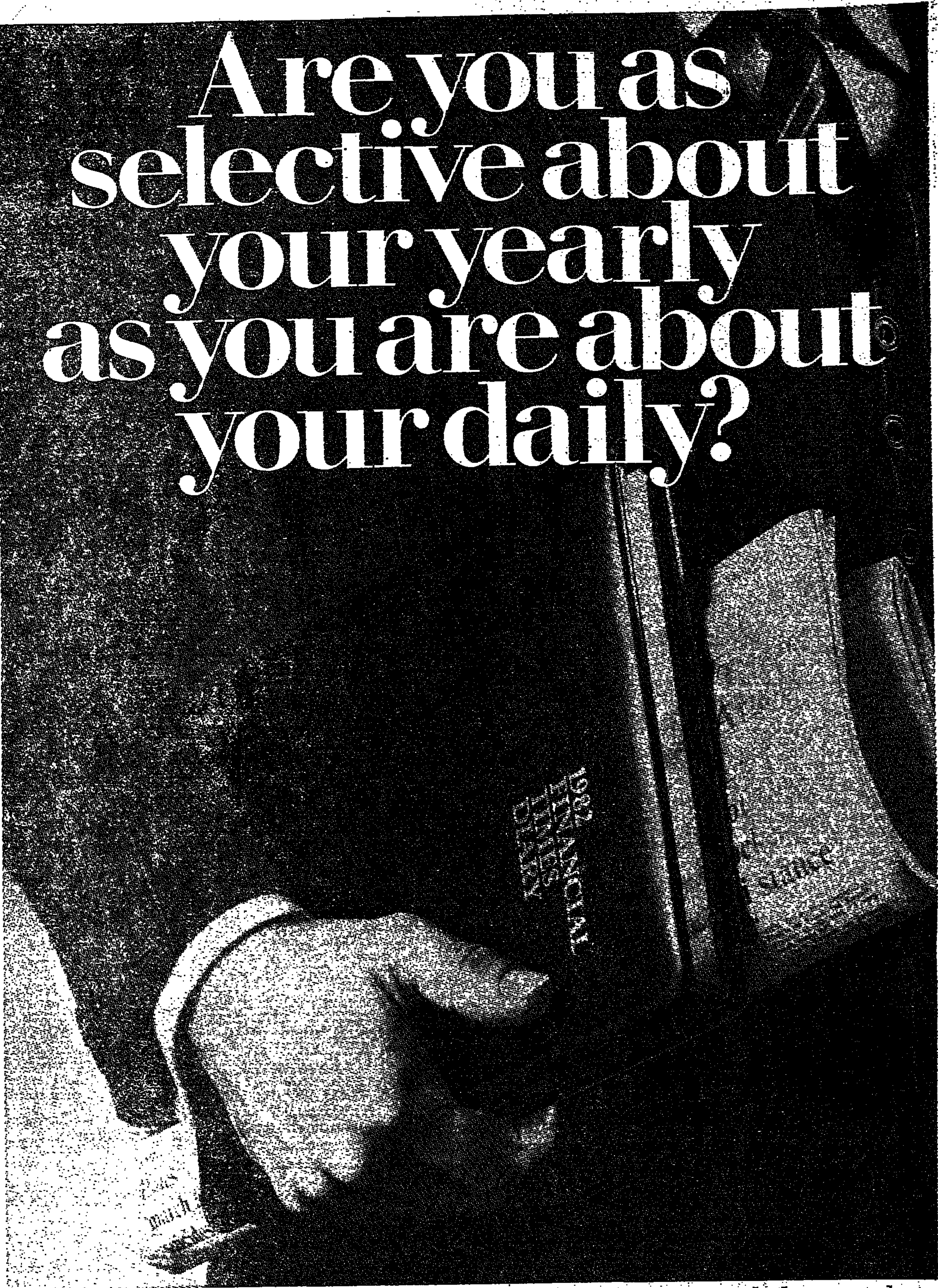
GARGOYLE, 69, Dean Street, London, W1. NEW EROTIC FLOORSHOW "CLOSE ENCOUNTERS" 11-3.30 am. Shows at Midnight and 1 am. Mon.-Fri. Closed Saturdays. 01-437 6455.

هكذا من الأصل

Are you as selective about your yearly as you are about your daily?



When it comes to selecting a diary, naturally enough we all like to believe we make the wisest choice.

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If we told you that many leading executives believe it to be the finest business diary available anywhere in the world, we wouldn't blame you for donning a wry smile.

Instead, we'd prefer to give you a few facts.

THE LOOKS

To open up with, we're extremely particular about the hand-finished leather bindings we use.

Indeed, to produce our black leather diaries; nine out of ten skins are rejected before we find one single hide that's up to the standard required.

Then there's our book-binding and gold-blocking. This is painstakingly carried out in Cornwall, where the skills of this ancient craft are still to be found.

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THE CONTENTS

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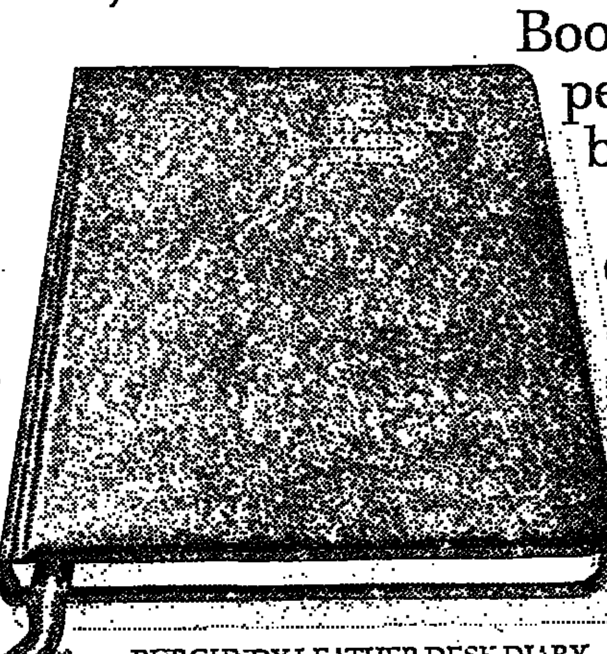

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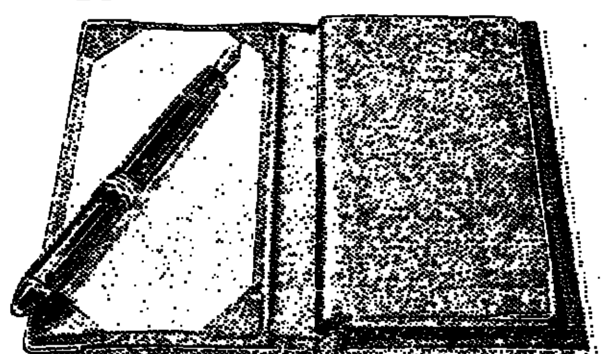

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Southland Royalty puts itself on auction block

BY PAUL BETTS IN NEW YORK

SOUTHLAND ROYALTY, a U.S. oil and gas exploration and development group is considering the possible sale or merger of the company, which has oil and gas reserves with an estimated value of nearly $2bn.

The Fort Worth, Texas, based company said it had asked First Boston, the Wall Street investment firm, to contact "a limited number of companies" with a view of discussing the sale or merger of the oil concern.

Two major oil companies—Gulf Oil and Texaco—are already said to be interested in acquiring the oil and gas assets of Southland Royalty. Both Gulf and Texaco have been seeking to increase their reserves of U.S. oil and gas and both have recently negotiated multibillion dollar credit lines to make a major acquisition.

First Boston was the investment bank which successfully advised Du Pont in its takeover battle for Conoco.

On the basis of its assets, Southland Royalty's break up value is put at around $40 a share. Trading in the company's shares was halted on the New York Stock Exchange but on Monday, they last traded at $25½ giving a stock market valuation of around $1.2bn. They opened yesterday at $35, giving a capitalisation of $1.62bn.

Southland Royalty currently has 94.8m barrels of proved oil reserves, 629bn cubic feet of natural gas reserves and about 2m acres of exploration areas. Overall, the value of these oil and gas assets are put at between $1.9bn and $2bn.

Last year, Southland Royalty spun off about half of its reserves to its shareholders in the form of two trusts which currently trade on the New York Stock Exchange. The move, which has become increasingly common in the U.S. oil industry, is designed to increase the return to shareholders.

Mr John Brumley, president of Southland Royalty, said that the company's board had given management the green light to start discussions with possible buyers to see "if a sale or merger would be in the best long-term interest of Southland shareholders." But he added that there was no certainty that a sale or merger would take place.

The decision comes at a time when merger and acquisition activity in the U.S. oil industry has reached a peak with the major oil companies seeking to enhance their domestic reserves position at the same time as expanding and diversifying their natural resources operations.

Zapata rejects Occidental Petroleum bid

By Our New York Staff

ZAPATA, the diversified oil services company based in Houston, has rejected a $760m takeover bid by Occidental Petroleum, the 12th largest oil company in the U.S. describing the share exchange offer as "grossly inadequate."

Occidental has no intention of raising its offer for Zapata, Mr Armand Hammer, Occidental's chairman, said.

The offer involved an exchange for each of Zapata's 21.3m shares of 0.6904 Occidental common shares and 0.1804 share of a new voting non-convertible preferred occidental stock each with a redemption and liquidation value of $100 and an annual yield of $14.625. The package is the equivalent of a $36 a share offer for Zapata shares.

Shell Canada says oil sands project uneconomic

BY VICTOR MACKIE IN OTTAWA

DEVELOPMENT of the proposed C$13bn (US$1.1bn) Alsands oil sands plant in northern Alberta does not appear to be commercially viable under the terms of the new Alberta-Ottawa energy agreement, according to Mr Jack McLeod, president of Shell Canada Resources.

He said yesterday that Shell's understanding of the agreement so far indicates the taxation and royalty provisions "would not create an economically viable budget."

However, at the same time Mr McLeod said Shell, which has a 45 per cent stake in the project, has no intention of pulling out, although the plant remains officially on "hold."

Mr McLeod said the promise of near-world prices for oil sands production is welcome news and he remains optimistic the project at Fort McMurray will go ahead. Shell's plans are to proceed "virtually immediately" with discussions involving both the Alberta and Federal governments.

Work on the project will not proceed this winter unless the outstanding taxation and royalty issues can be resolved in the next two or three months, he said.

Under the agreement synthetic oil would receive near world prices and Alberta will reduce its royalties on production to 30 per cent from 35 per cent. The Federal Government will drop oil and gas revenue tax to 10.8 per cent from 16 per cent until the project begins making money.

Two Swiss franc bond issues launched

By Alan Friedman

TWO NEW deals were announced in the Swiss franc foreign bond market yesterday as prices registered a ½ point gain on the past couple of days. Monday had been a Swiss holiday and most of the rise came yesterday as the Swiss franc strengthened against the U.S. dollar.

A SwFr 65m 10-year bond issue was launched for the City of Gothenburg through lead-manager Union Bank of Switzerland. The Swedish issue provides an indicated yield of 8¼ per cent.

The Asian Development Bank, meanwhile, is understood to have signed an agreement with the Saudi Monetary Agency for the private placement of an 8-year SwFr 100m bond. The bearer bonds reportedly have an indicated coupon of 8.45 per cent.

Bankers in Zurich were slightly more cheerful about the foreign bond market yesterday as the U.S. dollar fell below SFr 2 for the first time since late April. The recently launched Republic of Austria issue to 1991 was said to be selling well; subscriptions close tonight.

In the D-Mark sector, prices of bonds rose ½ point in quiet trading, largely on the back of recent improvements in the New York market.

The Eurodollar market was also quiet and average bond prices were marked up ½ point.

Daiwa Securities said yesterday it would lead-manage a Y10bn Samurai bond (Japanese issues for foreign borrowers) for the Government of Thailand. The 10-year issue has an indicated coupon of 9 per cent and will be launched some time this week. It will represent the third yen bond to be floated by Thailand in Japan in the last three years.

Dow seeks $1bn credit

By Peter Montagnon, Euromarkets Correspondent

DOW CHEMICAL, the second-largest U.S. chemical concern, has confirmed that it is negotiating a $1bn credit in the Euromarkets through European Banking Company and Citibank.

The company said last night that the credit was a five-year revolving loan, half of which would be drawn down on signature to retire commercial paper borrowings.

The other half would only be drawn as needed.

Dow did not disclose the terms under which the borrowing is being arranged, but they are understood to involve an initial margin of ⅜ of a point over the London inter-bank offered rate for the first three years, rising to ½ a point over Libor for the remainder.

Despite the low margins, the credit is understood to have met a favourable reception in the Euromarket. It is reported to have started out as a $500m borrowing, the amount later being increased in response to strong interest from participating banks.

European travel cheque chief to leave

By Our Euromarkets Staff

MR DAVID McWILLIAM, who was seconded from Midland Bank International to serve as chief executive of Euro-Travellers Cheque International (ETCI) a year ago, will be released from his duties as head of ETCI within the next few weeks.

Mr McWilliam, who had served previously as treasurer of Midland Bank International, has spent the past year in complex negotiations with representatives from a number of European banks and with Thomas Cook in order to build a new Europe-wide travellers cheque system.

But last month's board meeting of ETCI in Brussels decided, in the wake of West German opposition to a deal with Cook, to licence the ETCI symbol to the Cook organisation, which had itself concluded a travellers cheque deal with MasterCard, the U.S. based world-wide payment systems company.

Mr McWilliam said yesterday that the ETCI project had changed so much that it no longer required "any structure of significance." He said a board meeting of the European bank members of ETCI on October 8 would "clarify ETCI's position".

Mr McWilliam, meanwhile, was tying up loose ends and working on the legal arrangements for ETCI to license its name to Cook. He said ETCI would effectively become a franchise organisation.

He stressed, however, that the work of ETCI had "given tremendous impetus" to the development of a variety of European payment services including plastic cards as well as cheques.

"The world will not go back to the way it was," he added.

Rhone-Poulenc remains in red for first half

BY TERRY DODSWORTH IN PARIS

RHONE-POULENC, France's leading chemicals company and one of the main industrial groups on the Government's nationalisation list, ran up further losses of FFr 24m ($4.5m) in the first half of this year.

The results underline the current difficulties of the company, which has been particularly hard hit by the slump in the textiles market, and which incurred consolidated losses of FFr 327m last year.

Even so, the figures represent an improvement on what had been expected by some investors after a statement earlier in the year from M Jean Gandois, Rhone-Poulenc's chairman, predicting that the group's results for 1981 would be about the same as in 1980.

At the same time, sales also recovered after the stagnant period last year, rising by 15 per cent from FFr 15.5bn to FFr 17.9bn.

To a large extent, the first half losses were attributable to continuing problems in the textiles division, despite the programme to cut the deficit launched at the beginning of this year.

The company said yesterday that it was hoping to get back onto an even keel in this division by the end of this year or during the first quarter of 1982. But at the moment it is still in the middle of its reorganisation, which was designed to reduce its textiles workforce from about 8,200 to around 4,000.

There are indications that the company has slowed this slimming programme since the election of the new Socialist Government, which is fighting hard to contain unemployment. But in the first half year it spent some FFr 244m on financing various factory closures, along with payments to workers who have been retired early or moved to other parts of the group.

Only about FFr 13m of these costs have been charged against this year's accounts, however. The rest has come from a special FFr 1.6bn reorganisation fund set up last year.

The first half results also contain exceptional profits of FFr 257m compared with FFr 358m in 1980, of which FFr 101m came from asset sales and FFr 156m from tax rebates.

Italsider capital increase approved

By Rupert Cornwell in Rome

ITALSIDER, the troubled Italian steel producer, yesterday finally secured shareholders' authorisation for its long-delayed play to increase capital by L431bn to L1.729bn ($1.4bn).

Shareholders—essentially the Finsider division of the state-controlled conglomerate, IRI—also endorsed the reorganisation of Italsider into two groupings: Nuova Italsider, which will handle the company's main operating units including those at Taranto and Bagnoli; and Acciaierie Piombino.

IRI-Finsider is hoping that the two steps together will signal a start to a turnaround in Italsider's fortunes. In the first five months of 1981 it lost L573bn and was recently so short of liquidity that the August salary payments to its 50,000 workers were for a period at risk.

Much, however, will depend on the speed with which a government industrial policy committee ratifies plans launched by the Cabinet, authorising IRI to float L2,000bn of medium-term bonds. Proceeds would go towards the long-overdue recapitalisation of the state steel sector.

Of Italsider's shortfall this year, L439bn—or almost 80 per cent—was debt servicing charges. The group has long pressed, but with little avail, for bank borrowings to be reduced through an injection of new capital.

Meantime, Finsider's losses this year could far exceed 1980's total of L1,267bn, according to recent reports.

Southern Pacific sees downturn

BY OUR FINANCIAL STAFF

SOUTHERN PACIFIC Company expects a downturn in profits in the second half of the current year because of a slump in business at its railroad and trucking subsidiaries.

Because of these declines the company was expecting profits to be below the $117.8m, or $4.37 a share, earned in the final six months of last year. This six-month total was split between a $53.5m, or $1.99 a share, profit for the third quarter and earnings of $64.4m, or $2.38, in the fourth quarter.

Net profits for the opening six months of this year were $2.50 a share, well up on the $1.41 earned in 1980 when the company was hard hit by the drop in economic activity in the U.S.

The company has moved to offset the effects of the slump in traffic by instituting strict cost controls, Southern Pacific said. As well it had taken 12,000 rail cars and 150 locomotives out of service.

In 1980 the railroad and trucking activities contributed $2.57bn to total revenues of $2.86bn, but the pre-tax profit contribution was only $57m to a total of $162m after a $7m loss on trucking. The largest profit contributor was its real estate operations with $66m pre-tax, followed by pipelines and financial services at $35m and $36m respectively. Communications ran up a $23m loss.

Final quarter boost at Macy

By Our Financial Staff

R. H. MACY AND CO., the U.S. department store retailer, ended its year to August 1 with net profits 16 per cent higher at $119.63m after a 29 per cent boost in the final quarter.

Quarterly profits were up from $17.86m to $23.04m and the 29 per cent growth came on sales ahead by 16.6 per cent from $521.6m to $608.3m. Per share profits came to $1.40 against $1.11 in the corresponding period of 1979-80.

For the year profits compared with the $103.3m earned last time and came on sales ahead by 12.2 per cent from $2.37bn to $2.66bn. Earnings per share were up from $6.48 to $7.35.

Olympia and York raises stake in Hiram Walker

BY ROBERT GIBBENS IN MONTREAL

OLYMPIA and York Developments, the major real estate and resource group owned by the Reichmann family of Toronto, is buying more shares in Hiram Walker Resources, the Canadian drinks and energy concern. The Reichmanns already own around 5 per cent of Hiram Walker and are the largest single stockholder.

Olympia confirmed it has been buying more Hiram Walker shares in the market at around C$25 per share. Olympia said the buying opportunity became available because some Hiram Walker investors were selling common stock and buying a new convertible preferred issue of Hiram Walker.

Olympia became the largest single holder in Hiram Walker at the end of July with acquisition of more than 4m shares at prices ranging between C$31 and C$33. More than 1.5m Hiram Walker shares were traded on Canadian stock exchanges on Monday and its shares were the most active traded issue.

Hiram Walker Resources was formed by the merger of the second largest Canadian-based distilling company with gas distribution and oil development groups.

RCA unit sells building

By Our Financial Staff

RCA's C.I.T. Financial subsidiary, has agreed to sell its building at 650, Madison Avenue, New York City, to Prudential Insurance Company of America for $90m.

The company said a major portion of the 300,000 sq ft office building serves as its offices. Prudential has indicated that C.I.T. will continue to occupy the property under a two-year lease, during which time it will be known as the C.I.T. Building.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices which will be published next on Thursday September 17. Closing prices on September 15

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alcan Aust. 10½ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CIBC 16½ 86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CNA 11 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CNE 13½ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Citicorp Int. Fin 15 86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Citicorp O/S 15½ 84	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Con. Illinois 14½ 84	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB 12½ 85	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Eldorado 13½ 86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Elec. de France 15 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fin. Exp. Credit 16½ 86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland, Rep. of 8½ 86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ford Cr. O/S Fin. 16 84	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Gaz de France 13½ 86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GMAC O/S Fin. 12½ 85	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Genstar 14½ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hiram Walker 16 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
IBM Wld. Trade 14½ 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nat. Bk. Canada 15¾ 86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Newfoundland 13½ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nova Scotia 15 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ontario Hydro 15½ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pacific Gas Elec. 15 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Royal Bk. Canada 14 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Shell Canada 15½ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sth. California 14 87	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swed. Handlsbk. 13½ 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swed. Ex. Credit 13 86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Toronto-Dom. Bk. 14 84	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tribune O/S Fin. 14 86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Walt Disney 15½ 86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Wells Fargo Int 15½ 85	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Bank 14½ 86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Bank 15 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price changes... On day +0¼ on week 0

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 10 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria Rep. of 8¾ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CECA 10 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Council of Europe 10 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB 8¾ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ESCOM 9¾ 87	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland, Rep. of 10 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ind. Bk. Finland 9¾ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan Air Lines 8¼ 87	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan Dev. Bk. 7½ 87	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Midland Int. Fin. 8¾ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oslo, City of 9¼ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Venezuela, R. of 9 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Bank 8 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price changes... On day +0¼ on week +0¾

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aeroport Paris 6½ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bayer Int. Fin. 5¾ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgelectric Fin. 7¼ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bergen, City of 6¾ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CECA 6¾ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dome Petroleum 5¾ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Eurofima 5¾ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland, Rep. of 5¾ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Int.-Amer. Dv. Bk. 7 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan Dev. Bank 5¼ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mt. Blanc Tunnel 5¾ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oslo, City of 5¾ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Philips Lampe 5¾ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swed. Ex. Credit 7¼ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Bank 7.90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price changes... On day +0¼ on week +1¼

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bk. 8¼ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Australia 8½ 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland, Rep. of 8½ 87	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
New Zealand 8½ 87	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price changes... On day 0 on week 0

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Bell Canada 10½ 86 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CIBC 13½ 86 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Federal Dev. 11 90 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fst. Can. Inv. 10 84 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
R. Bk. Canada 10 86 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tordom Cpn. 13½ 86 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SOFTE 8¾ 89 EUA	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Algemene Bk. 10¼ 86 Fl	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amro Bank 12 86 Fl	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Heineken NV 10 87 Fl	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ned. Midd. Bk. 10 85 Fl	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pierson 10½ 85 Fl	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Rabobank 12 86 Fl	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Air France 14½ 86 FFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB 14½ 88 FFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
La Redoute 14½ 86 FFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
OKB 14 86 FFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Solvay et C. 14½ 86 FFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swed. E. Cr. 14½ 86 FFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Acona 14 85 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Beneficial 14½ 90 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BNP 13½ 91 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CECA 13½ 86 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Citicorp O/S 13½ 90 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fin. Ex. Cred. 13½ 86 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Gen. Elec. Co. 12½ 89 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hiram Walker 14½ 86 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Privatbanken 14½ 88 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
J. Rothschild 14½ 90 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Royal Trustco 14 86 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swed. Ex. Cr. 13½ 86 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Akzo 9½ 87 LuxFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Eurofima 10½ 87 LuxFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB 9½ 88 LuxFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Volvo 9½ 87 LuxFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Bank of Montreal 5½ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BBL Int. 5 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BNP 5¼ 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Christiania Bk. 5¼ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Citicorp O/S Fin. 5¼ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C. Itoh 5¼ 87	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Co-operative Bk. 5 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Den Norske Credit 6 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Genfinance 5¾ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ind. Bank Japan 5¼ 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lloyds Eurofin 5 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
LTCB Japan 5¼ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Man. Hanov. O/S 5¼ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Midland Int. Fin. 5¼ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Midland Int. Fin. 5 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nacional Fin. 5½ 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nat. Bk. Canada 5¾ 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nat. West. Fin. 5¼ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pemex 5 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Societe Generale 5¾ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Svenska Handlsbk. 5 87	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price changes... On day +0¼ on week +0¼

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 5½ 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bow Valley Inv. 8 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canon 6¾ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Daiwa Secs. 5¾ 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fujitsu 5½ 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Furukawa Elec. 5½ 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hanson O/S Fin. 9½ 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ina Overseas 8¼ 2000	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Inchcape 8 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Kawasaki 5½ 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Marion Int. Fin. 8 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Marui 6 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Matsushita El. 7½ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Murata 5¼ 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nippon Chemi-C. 5 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Bk. Cpn. 6¾ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Taylor Woodrow 8½ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tricorp 8½ 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Union Bk. Switz. 5 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Uny Co. 5½ 86 DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTL. COMPANIES & FINANCE

Kenneth Gooding, Motor Industry Correspondent, writes from Frankfurt on Nissan Motor's Western co-operation deal

VW flies the flag East of Suez

"THE VOLKSWAGEN flag will be hoisted again East of Suez" said Herr Werner Schmidt, VW's sales director yesterday after the announcement that his group had at last completed its production cooperation deal with Nissan of Japan.

The arrangement is of symbolic, more than financial importance to the German company. Like other European and American motor group nationals, VW has gradually had to pull out of Far Eastern markets as the region has become increasingly dominated by the yen, and as the Japanese car makers have offered products at prices with which it could not compete.

Today 95 per cent of Volkswagen's car sales are made in Europe and the Americas, while Africa accounts for a further 4 per cent.

VW seemed to have settled on a sales strategy whereby it supplied the industrialised countries from its high-cost plants in West Germany and the U.S., while providing cars from Brazil to those parts of the developing world in which it retained a presence.

The Nissan deal shows, however, that VW is not willing to give up the Far East market. If it cannot have a whole loaf, it will be content with a few slices of bread.

The West's two largest car makers, Ford, and General Motors, accepted this as part of their diet some time ago. GM has been using Isuzu as its Japanese production base and recently brought Suzuki into its orbit by taking a 5 per cent interest. It has had a 34 per cent stake in Isuzu for ten years.

Ford acquired a 25 per cent interest in Toyo Kogyo—the Mazda group—five years ago. It has gone further than GM since TK is already making vehicles with the Ford oval badge on them for the Ford Asia-Pacific dealer networks.

Although it is not taking any equity stake in Nissan, VW's philosophy is the same as Ford's: If you intend to sell cars in the Far East, you must have them made in Japan where costs are lowest.

However, VW is also following the Japanese custom and will make some high-value parts in West Germany. Engines, gearboxes and axles will go to Japan from German plants. That is business which VW would not have got any other way.

The Japanese have recently shown signs that they will dismantle some of the non-tariff barriers which protect their car market, but they have by no means opened it up. Total imports to Japan in the best year for the Western car makers came only to 40,000 cars. Against this Nissan hopes to sell 48,000 VW Santanas a year in Japan when the joint project gets under way in 1983. They will, however, be Japanese cars, for more than 50 per cent of their ex-factory value will be Japanese. Customers might well perceive them as European cars in spite of that.

In Far East markets outside Japan they will be sold as Volkswagens. The 12,000 a year to go into the Far East region—made up of many small markets—will double VW's share of that area's new car sales from 0.3 to 0.6 per cent.

The VW-Nissan deal neatly illustrates how joint projects, which are becoming an increasingly important feature of the world motor industry, may in future make it difficult to allocate a particular model to one particular manufacturer—or even to a particular country.

VW said yesterday that "in view of the increasing necessity for co-operation in certain areas between manufacturers" it might well join Nissan in further co-operative projects. One widely-held theory is that the two companies might share the output at the second plant VW plans to build in the U.S., at Stirling Heights, Michigan.

For Nissan, too, the deal is of more symbolic than economic value. By showing willingness to co-operate with a major Western manufacturer, it hopes to deflect some of the crititcism the Japanese industry continues to face about the huge imbalance of trade in cars between Japan and the rest of the world.

The car which is to be produced, the medium-sized Santana (about the same dimensions as the Passat) does not compete with any of Nissan's cars and could give the company as much as 1 per cent more of its home market and take it closer to the leader, Toyota.

The arrangement puts another formidable obstacle in the way of any combined opposition to the Japanese "threat"—which the European Commisssion has been struggling unsuccessfully to formulate.

VW, like the rest of the West German motor industry, exports well over half the vehicles it produces in Germany and sees any new trade barrier as likely to damage what is left of the world's free trade.

This must have been very much in the mind of Herr Toni Schmuecker, VW's chief executive, last autumn when he joined a group of European manufacturers on a visit to Japan to explain the serious concern the Europeans felt about the very fast inroads the Japanese were making in some markets—including West Germany. Having joined in the protest, Herr Schmuecker stayed on in Japan so that he could approach Nissan with the proposals about joint production.

VW considers the Nissan deal a much better way towards solving the European car industry's problems than further protectionism. Some of its European rivals will not agree.

Volkswagen's new up-market saloon model

DROP IN WORLD-WIDE SALES

VOLKSWAGEN expects its volume sales worldwide to fall about 5 per cent below last year's level of 2,495,000 chiefly because of the collapse of the Brazilian market, falling sales by its Audi subsidiary and weaker demand in the U.S., writes Kevin Done in Frankfurt.

VW deliveries were around 1.6m vehicles in the first eight months of 1981, a drop of 5 per cent on corresponding 1980 returns.

Local sales in Brazil plummeted 46 per cent in volume to only 146,000 in the first eight months. This was the result of the catastrophic economic situation there with inflation rates of over 100 per cent and increased credit costs with interest rates way above 100 per cent in the middle of the year.

Total vehicle sales were down 8 per cent to 525,000 units in West Germany, where VW has a car market share of around 30 per cent.

On the brighter side VW volume sales in other West European markets rose 16 per cent with France and Italy showing gains of 33 per cent and 51 per cent respectively.

French-built Renault car aimed at Japanese market

BY OUR MOTOR INDUSTRY CORRESPONDENT

RENAULT, the state-owned French group, intends to tackle the Japanese manufacturers head-on in the Middle and Far East, with a car built in France.

The group insists that it has cut manufacturing costs at its Douai plant, in Northern France, to a level where the adverse gap between French and Japanese costs is tenable in those markets which are now dominated by the Japanese.

The car concerned, the R9, in which the group invested FFr 2bn ($350m) is to be launched formally at the Frankfurt motor show later this week. It was designed to be manufactured and sold, in suitably adapted forms, throughout the world.

At the Douai factory, Renault's second largest car plant, the group has installed 650 robots, or what the Japanese define as robots. Apart from the R9, the R5 and R14 are assembled there.

The cost of production will also be kept down because Renault expects quickly to push European production of the R9 to 2,000 a week (about 440,000 a year), much of it in France.

And for the first time, Renault will be able to offer in the Middle and Far East markets the same kind of extras—such as air-conditioning—the Japanese have included in medium-sized cars but the Europeans have not.

The R9, a front-wheel drive saloon with a boot about the size of the R14, will also be produced in the U.S. But 90 engineering changes will be made to the U.S. version, to be built at the American Motor Corporation plant in Kenosha, Wisconsin.

Renault owns 46 per cent of AMC, and has management control.

It aims to produce about 500 a day of the R9 at Kenosha, equivalent to around 110,000 a year, when output begins early in 1983, but capacity at the plant is 800 a day.

Assembly or production of the R9 will also take place in Spain, 110,000 a year; Portugal, 4,300 a year; Mexico, 15,000 to 20,000; South Africa, 30,000; and Taiwan, 15,000.

This should take output worldwide to 3,000 a day, or 660,000 a year.

Renault says the R9 will, therefore, make it possible to achieve its objective of producing 2.5m vehicles a year by 1985, compared with last year's output of just over 2m—both figures excluding AMC production.

But the group has not escaped the current motor-industry problems and expects its vehicle output this year to fall by 10 per cent.

Elsevier sells UK fine art publisher

By Charles Batchelor in Amsterdam

ELSEVIER-NDU, the Dutch publishing group, has sold its British fine art publishing subsidiary, Phaidon Publishers of Oxford, to the company's four-man management team.

Elsevier is pulling out of its foreign book publishing operations to concentrate on electronic information distribution abroad, though it is maintaining its book publishing activities in the Netherlands.

The Phaidon management, headed by Mr George Riches, the chairman and managing director, will also take over Elsevier Publishing Projects (EPP) which creates and trades international copyrights.

Phaidon expects to make sales worth £2.6m ($4.4m) this year and is "certainly profitable," Mr Riches said. EPP, with anticipated sales of £2m, recently began making losses but expects to return to profit "very soon."

Elsevier earlier this year sold a U.S. subsidiary, Dutton Publishing of New York, to Volt Information Sciences. It recently reported a first half net profit of Fl21m ($8m) on sales of Fl668m, compared with profits of Fl20m on sales of Fl636m last year.

Elsevier said its British companies had been operating in a depressed domestic market while exports had suffered from the strength of the pound. With the sale of Phaidon and EPP the reduction in foreign book publishing interests had been concluded.

Phaidon, which already makes more than half of its sales abroad, plans to increase its foreign penetration and has begun to develop special projects such as the direct selling of facsimiles of fine books and rare editions.

Record results and bigger payout from Elder Smith

BY OUR FINANCIAL STAFF

RECORD RESULTS are reported by Elder Smith Goldsbrough Mort, the Adelaide-based diversified industrial and trading group and now a subsidiary of Carlton and United Breweries after a lengthy takeover battle earlier this year.

Net profits increased by 19 per cent, from A$22.94m to a peak A$27.35m (U.S.$32.18m) for the year to end-June on turnover up 10.7 per cent from A$2.22bn to A$2.46bn and other income of A$2.92m against A$2.12m previously.

At the per share level net earnings are down from 53 cents to 44 cents but shareholders are to get a bigger payout, with a final dividend of 12.5 cents, against 9 cents previously, raising the yearly total from 14 cents to 17.5 cents a share.

The net profit is after providing for sharply higher interest charges of A$65.83m (previously A$42.93m), tax of A$22.22m (A$16.45m), depreciation of A$7.45m (A$6.69m) and minorities of A$542,000 (A$446,000) but before an extraordinary profit of A$6.51m (A$803,000).

The group, which is Australia's leading pastoral house, showed a general all round improvement. The growth in earnings reflected mainly a higher volume of wool traded at better prices, increased demand for industrial goods, better steel and metals sales and higher profits from merchant banking and finance.

International trading operations also grew but these factors were offset to some extent by lower prices for sheep and cattle which reduced livestock and pastoral station profits.

The directors state that the group has made a satisfactory start to the current fiscal year. Significantly improved seasonal conditions now apply over most of Australia and livestock and wool prices are holding at last year's average levels.

● Amalgamated Wireless (Australasia) the Australian electronics group, lifted net profits by 30.6 per cent to A$13.1m (U.S.$15m) in the year to June 30. Sales rose by 48 per cent to A$273.9m. The annual dividend has been increased to 17 cents a share from 16 cents.

Tokyu raises earnings by 9%

BY DONALD MACLEAN

TOKYU CORPORATION, the leading company in the Tokyu group, with interests in transport, property, retailing and leisure, raised its consolidated net income by 6.4 per cent to Y3.59bn ($15.6m) in the year to March 31.

The corporation points to a slowdown in housing starts and low consumer spending as reflecting the sluggish rate of economic activity. However the company believes that the underlying strength of the Japanese economy will lead to an annual growth rate for the group of 15 to 18 per cent in the next two to three years, led by a 25 per cent rate of gain in the leisure field, against a background of a shortening working week, and the relatively high saturation of the Japanese consumer durables market.

The consolidated operating revenues of the corporation rose 8.6 per cent on the year to Y228.8bn ($985m), giving operating income of Y33.41bn, up 23.9 per cent.

On an unconsolidated basis, the corporation had net income of Y3.8bn, or 6.1 per cent more than the Y2.64bn of 1979-80, on operating revenue up 7.1 per cent to Y137bn from Y127.9bn.

A feature of the company's real estate business, the company says, is its high quality residential developments through plans which include transport, schools, shopping centres, and sports and other facilities. Typical is the Tama Den-en Toshi project of 50 square kilometres, claimed as the largest regional development project undertaken by a private concern in Japan. The project was begun in 1953, and is approximately 50 per cent complete in terms of planned area and housing for some 310,000 residents.

In the seeking of long-term stability, the company is expanding its leasing business by utilising land located both in central Tokyo and near major railway stations.

The company increased its revenue and operating income from the real estate business by 12 per cent and 47 per cent, respectively, compared with the previous year.

The company operates six railway lines over 99.5 kilometres in the densely populated south-western environs of Tokyo. The total number of passengers carried by the company in the year was approximately 746m. Revenue increased by 4.9 per cent over the previous year, but operating income was down 19.4 per cent because of higher personnel costs and a rise in electric power rates.

In a move to develop an area of the Japanese hotel industry it says it has been neglected, the company has promoted inns offering accommodation at prices by simplifying services. There are Tokyu Inns in 20 locations with 3,539 rooms.

● The number of corporate bankruptcies in Japan fell to 1,362 in August from 1,424 in July and were down sharply from the 1,473 of August last year.

Bankruptcy debts in August fell to Y158.68bn from Y167.24bn in the previous month and Y221.40bn a year earlier. This was the lowest monthly debt of the year.

The cumulative total of bankruptcies for the first eight months of the year was 11,425 with debts totalling Y1.75bn, compared with 11,324 and Y1.75bn in the same 1980 period.

There were business failures exceeding Y10bn in August. The largest amounted to Y7.5bn.

United Plantations in moves to diversify

By Wong Sulong in Kuala Lumpur

UNITED PLANTATIONS, the Danish-owned Malaysian oil palm group, is planning to diversify. Negotiations on an agricultural project in Australia and an industrial venture in the UK were "expected to be concluded shortly."

The company gave no details of the projects, but earlier confirmed that its executives had been looking for 25,000 acres of land in Queensland for sunflower cultivation.

United Plantations reported a 17.5 per cent decline in after-tax profit to 11m ringgit (U.S.$4.6m) for the half-year to June.

The decline was less severe than that of other plantation groups mainly because UP is largely in palm oil, prices of which did not fall as sharply as rubber during the period.

Net profit was boosted to 23.3m ringgit by an extraordinary gain of 12.3m ringgit.

The company expects the second half to be better than the first and profits for all 1981 should be "agreeable." An interim dividend will be paid later in the year.

● SIME DARBY, the Malaysian-based diversified plantation group, has acquired the whole of the issued share capital of Carboxyl Chemicals of Liverpool as part of its policy of moving into downstream activities.

Carboxyl is a small company manufacturing metallic stearates, wire-drawn lubricants and defoamants. It is supplied with its raw materials—stearic acid—by Sime Darby Oleochemicals in Singapore which in turn manufactures the raw material from palm oil.

Trengganu Plantation feels effects of labour shortage

KUALA LUMPUR—A labour shortage has cost the State-owned Trengganu Plantation group more than 2.5m ringgits (US$1.06m) over the last two years as some rubber trees on a 5,000-acre plantation in north-east Malaysia have gone untapped.

Wan Mokhtar, Trengganu State's Chief Minister, said the plantation employs about 3,000 tappers, but another 250 are urgently needed. The shortage has been caused by workers leaving for better wages in the construction and other industries. He said the Government was thinking of introducing a profit-sharing scheme to attract more workers.

Malaysia, which has a population of 13m, has faced shortages of workers in the plantation, construction, electronics, and other industries for more than three years. Officials estimate that about 350,000 Indonesian, Thai and Filipino illegal immigrants now work in these sectors, attracted by Malaysia's higher wages.

AP-DJ

API acquires more real estate

By Our Kuala Lumpur Correspondent

THE MALAYSIAN plastic manufacturer turned property developer, Associated Plastics Industries (API), has announced major acquisitions of real estate for 120.8m ringgit (US$50m).

The company is acquiring two property companies—Kim King Sin-Malay Development and City Centre Berhad—and four parcels of land. The purchases will be satisfied through the issue of 60.4m API shares valued at 2 ringgit each.

City Centre, which was acquired for 50m ringgit, owns 7.2 acres in a prime district in Kuala Lumpur with approval for an office complex, with a built-up area of 1.2m sq ft. The cost of developing the project is estimated to be 400m ringgit.

The other acquisitions relate to land for residential housing and industry in various Malaysian towns, covering over 650 acres.

● DESPITE RISING costs, Bata Berhad, Malaysia's leading shoe manufacturer, reported a 20 per cent improvement in pre-tax profit to 4.2m ringgit (US$1.8m) for the six months ended June, on sales up 12.5 per cent to 41m ringgit.

The company is confident of "reasonably good earnings" for the full year.

An interim dividend of 6 per cent is declared.

Sentrachem buys Saffola Seeds from Seedtec

BY BERNARD SIMON IN JOHANNESBURG

SENTRACHEM, the South African chemicals group, has acquired, through its subsidiary Fedmis, a controlling interest in Saffola Seeds, previously owned by Seedtec International of California. Sentrachem has also obtained rights and options to shareholdings in an unidentified U.S. company.

None of the transaction's financial details have been disclosed, but the full amount involved is believed to be U.S.$9m.

Seedtec's disinvestment from South Africa was prompted solely by commercial considerations, a Saffola executive said. Seedtec recently became a subsidiary of the New York-based trading company Kay Corporation, which has already disposed of a substantial part of its assets.

Saffola is South Africa's second largest privately-owned seed processor and distributor, and has concentrated up to now on Sorghum, Sunflower and Maize seeds. The company has signed a technical agreement for the continuing exchange of know-how with Seedtec.

The takeover is a further step in Sentrachem's expansion in the agricultural sector. Last year it acquired its controlling interest in Fedmis, a leading fertiliser producer.

Higher interest hits San Miguel

BY EMILIA TAGAZA IN MANILA

AN OVERALL decline in sales volume, and significant increases in operating costs and interest charges have hit first-half earnings at San Miguel Corporation, the Philippines' largest food and manufacturing concern.

The directors say net profit for the first half of 1981 declined by 7 per cent to 165m pesos (US$21m) from 177m pesos on net sales of 2.4bn pesos (US$300m).

Interest charges amounted to 227m pesos, a hefty 78 per cent increase from last year's 127m pesos. One of the major loans that the company is paying off is the $300m syndication obtained early last year from a group led by BankAmerica International, Bank of Montreal, Bank of Nova Scotia, Dresdner Bank, Lloyds Bank and Manufacturers Hanover.

The loan, which was used to expand the company's manufacturing and distribution facilities, has a maturity of 12½ years and carries a 0.75 per cent spread over London interbank offered rates for the first six years.

The directors say they hope that the high interest rates prevailing during the period will start to soften by the year's end. Overall sales volume suffered from consumer purchasing power that had been reduced by double-digit inflation and recession.

Price adjustments in a few product lines late last year and this year helped offset higher operating costs.

Sales of beer, San Miguel's major product line, were reported to be drastically lower, partly because of the substantial increase in retail prices which followed a 50 per cent increase in beer tax imposed by the Government in September last year. Postponement of the implementation of another 50 per cent increase in the tax has provided some relief.

Sales of soft drinks also fell. In order to streamline operations and reduce costs San Miguel last June spun off its soft drinks division, which manufactures and distributes Coca Cola products, into an independent company.

The soft drinks division became a subsidiary of the Coca Cola Export Corporation of the U.S., when the American group injected fresh equity of 230m pesos, representing 70 per cent of the new company's paid-up capital.

Modest early Wall St rally

NEWS OF a Prime Rate reduction by several U.S. banks produced a modest rally on Wall Street yesterday morning in further moderate trading.

The Dow Jones Industrial Average, after slipping 6.66 on Monday, had picked up 2.48 to 868.63 by 1 pm. The NYSE All Common index regained 24 cents at $70.03 and advances exceeded declines by a seven-to-five margin. Turnover came to 27.41m shares, against the previous day's 1 pm level of 25.03m.

Bankamerica, Citibank and Morgan Guaranty were among the banks announcing a cut in interest rate charged to their most credit-worthy customers of ½ a point to 20 per cent.

Analysts said that despite the upturn in the market, investors still were concerned with how President Reagan plans to cope with the problem of large Federal Budget deficits.

"It is clear the budgetary problem is keeping a ceiling on the market," said one Wall Street analyst, who believed the current rally could be of short duration.

Southland Royalty, which is seeking possible sale or merger of the company, rose 9¾ to $34¼ on nearly 300,000 shares after a delayed opening.

Zapata fell 2¼ to $31⅞. Occidental, up ½ at $26½, said it would not raise its $760m offer for Zapata, an offer which Zapata described as "grossly inadequate."

Storage Technology, the most active NYSE issue, gained ¾ to $33⅝ on over 600,000 shares. AMP, also heavily traded, fell 1⅝ to $45⅞ on a volume of more than 400,000 shares.

THE AMERICAN SE Market Value Index, however, receded 2.66 more to 324.78 at 1 pm. Volume 3.02m shares (2.44m).

Canada

Energy and Real Estate issues led stocks generally lower yesterday in fairly busy early dealings. The Toronto Composite Index was 25.5 weaker at 2,049.9 at noon, while Oil and Gas fell 147.8 to 4,212.5, Real Estate and Construction 183.0 to 6,676.7 and Golds 48.6 to 4,195.0.

Germany

Shares generally improved in fairly active trading on both domestic and foreign buying, with a further strengthening of West German Bond markets aiding sentiment. The Commerzbank index added 3.1 at 712.8.

Brokers noted that stocks were able to withstand predictions that the stronger D-Mark would dampen chances for West German exports.

The downtrend in West German interest rates rekindled investor interest especially in Bank shares, which recorded one of the better sector performances. Bayerische Vereinsbank advanced DM 4, while Deutsche Bank and Bayerische Hypobank each posted DM 3 gains.

In Motors, Volkswagen recouped DM 1.40 at DM 138.70. Brokers said that news late in the session that the company will enter into joint production of a new Volkswagen model with Nissan Motor, of Japan, tended to offset last Friday's reports that Volkswagen's net first-half profit dropped to DM 15m from the year-ago DM 216m.

Public Authority Loans on the Domestic Bond market were up to 30 pfennigs firmer. The Bundesbank sold DM 9.8m of paper after the unusually large amount of DM 130m sold on Monday.

Tokyo

The market was closed yesterday for a public holiday, Respect for the Aged Day.

Australia

Metal, Mining and Oil stocks continued to lead the market rally from its recent 15-month low point amid further indications that U.S. interest rates had peaked.

The Australian All Ordinaries index finished 4.2 firmer at 616.1 for a three-day recovery of 16.6. The Metals and Minerals index added 5.6 at 516.7 and Oil and Gas 12.1 at 675.3.

Peko-Wallsend set the pace in the Miners with a 26 cents rise to A$6.70, helped by speculation that the company was ripe for a takeover bid.

Gold Mining issues continued to improve on the rising Bullion price, Poseidon, A$4.40, and Central Norseman, A$8.70, adding 10 cents apiece to Tuesday's good rises.

Elsewhere in Minings, North Broken Hill put on 20 cents to A$3.00 and CRA 10 cents to A$3.75.

Western Mining finished 4 cents harder at A$5.24 as the market waited for further reports from the Acacia No 1 oil well in the Canning Basin. Woodside Petroleum gained 8 cents to A$1.48, Vamgas 20 cents to A$11.20, Bridge Oil 50 cents to A$5.50 and Strata Oil 10 cents to A$1.15.

Electronics group AWA climbed 25 cents to A$3.35 on reporting a 30.6 per cent rise in final profits.

Hong Kong

After Monday's holiday closure, the market scored good gains yesterday in moderate activity, extending Friday's rally. However, brokers said the market is not yet showing signs that it will stage a sustained recovery.

The Hang Seng index opened firm and resisted bouts of profit-taking to close at 1,554.92, up 21.07. Combined turnover came to HK$437.26m on the four stock exchanges, little changed from Friday's HK$429.75m.

The rebound came on technical factors, with investors receiving some encouragement from a slip in U.S. interest rates. Brokers added that small investors also took cheer from the suspension on flotations of new share issues, imposed lat Friday.

However, broker said there continue to be bearish signs in the economy and that the market will remain volatile in the near-term. The Hong Kong dollar declined against the U.S. dollar yesterday and its trade-weighted index plunged to a record low, hitting 83.4 from Friday's 84.3.

Paris

Bourse prices mostly declined on light volume, with investors unsure of which way the market would go following the policy speech to be made in Parliament later that day by French Prime Minister Pierre Mauroy.

A report that Thomson-Brandt would raise its share in Thomson-CSF to 51 per cent from just over 40 per cent sent Thomson-CSF FFr 6 higher to FFr 287.

Singapore

Stocks tended to pick up yesterday after the recent bout of weakness, with Malaysian speculative isues leading the way. The Singapore Straits Times Industrial Index recovered 12.81 to 638.60.

An analysts expressed surprise atthe market's rebound in light of the recent implementation of immediate delivery of scrip rules. "Selling dried up . . . and more money is being pumped into the market," he said.

Rumours that MUI and Goodwood Park have reached an out-of-court settlement on a dispute over conditions for the take-over of two Singapore hotels boosted the counters in the Khoo Kay Peng stable.

MUI advanced S$1.05 to S$10.40, while Pan Malaysia Cement rose S$1.50 to S$10.90 and Central Sugars S$1.40 to S$9.80.

Johannesburg

Gold shares declined from a firm opening to close easier on balance, reflecting afternoon profit-taking prompted by the Bullion price's downturn from its overnight New York higher level.

Closing prices for North America were not available for this edition.

NEW YORK

CANADA

Stock	Sept. 14	Sept. 11
AMCC Intl.	21⅝	21½
Abitibi	19½	21½
Agnico Eagle	11⅛	11
Alcan Alumin	30¼	30¾
Algoma Steel	45	45
Asbestos	38	38

BELGIUM (continued)

Sept. 15	Price Frs.	+ or —
Petrofina	4,225	+15
Royale Belge	5,950	......
Soc Gen Banq.	1,600	+15
Soc Gen Belge	876	—4
Sofina	2,440	—5
Solvay	1,920	+70

HOLLAND

Sept. 15	Price Fls.	+ or —
ACF Holding	78.8	—0.2
Ahold	61.6	—1.5
AKZO	23.9	—0.2
ABN	296	+1
AMEV	90.8	—1.2
AMRO	54.4	+0.2

AUSTRALIA

Sept. 15	Price Aust. $	+ or —
ANZ Group	5.30	......
Acrow Aust	1.20	......
Allstate Expl	0.95	......
Ampol Pet	1.48	+0.05
Assoc. Pulp Pap	2.10	......
Audimco	0.16	......
Aust. Cons. Ind.	1.87	+0.02

JAPAN (continued)

Sept. 14	Price Yen	+ or —
Kubota	344	—2
Kumgaai	350	+10
Kyoto Ceramic	3,210	—40
Lion	382	—3
Maeda Cons	515	......
Makita	901	+1
Marubeni	330	+2

Indices

NEW YORK ACTIVE STOCKS

DENMARK

FRANCE

ITALY

NORWAY

SWEDEN

GERMANY

AUSTRIA

SWITZERLAND

BELGIUM/LUXEMBOURG

HONG KONG

SINGAPORE

SOUTH AFRICA

BRAZIL

COMMODITIES AND AGRICULTURE

French bid to reopen poultry exports to UK

BY TERRY DODSWORTH IN PARIS

THE FRENCH Government announced last night that it would fall in with the new British health measures on poultry imports.

In a move clearly designed to help French turkey producers resume their exports to Britain, the Agriculture Ministry said that it would adopt the British policy of compulsory slaughter against fowlpest in place of vaccination.

The Ministry said that it remained convinced that vaccination offered "all desirable guarantees" against the disease but had nevertheless decided to accept the procedure of compulsory slaughter.

The French decision will put the British Government in a difficult position following the change in the health rules that was widely regarded in France as a protectionist measure. The French authorities now expect the British markets to be reopened immediately to French poultry products.

French poultry exports to the UK are now running at the rate of about FFr 180m ($31.6m) a year, of which turkey sales account for about FFr 90m and eggs for about FFr 70m.

Since the new rules were brought in by Britain at the beginning of September, Common Market poultry exports to Britain have been stopped, to the detriment in particular of France, Holland and Belgium.

On September 9, the Common Market Commission gave Britain 15 days to abandon the new health regulations on the grounds that they constituted a restraint on the free circulation of goods.

The Common Market procedures would involve bringing Britain before the European Court if it had not come up with a satisfactory answer within the 15-day period.

In deciding to accept the British measures under protest, the French have therefore sidestepped this notoriously slow judicial process and given their poultry farmers the opportunity to resume exports. Turkey producers in particular have been bringing heavy pressure to bear on the government to adopt such a line in the last few days.

Richard Mooney writes: Britain does not appear to have given up the fight to repel French poultry just yet, and could prove still to have a couple of useful cards up its sleeve. On hearing of the French move the Ministry of Agriculture said last night: "We would not be able to accept imports until we are fully satisfied that a disease-free status has been reached." This could prove difficult, as France, with its long land borders, is far less well suited to a slaughter control policy than Britain.

Reagan to offer Russia more grain

By Nancy Dunne in Washington

PRESIDENT REAGAN has affirmed his Administration's intent to offer "large additional amounts of grain" for sale to the Soviet Union in a letter to Senator Robert J. Dole, republican chairman of the Finance Committee.

Reading the letter on the Senate floor yesterday, Senator Dole speculated that as much as 10m additional tonnes will be offered when the Americans and Soviets meet on September 30 to discuss next year's purchase. Under the current agreement, which has been extended for a year while negotiators produce a new pact, the Soviet Union is allowed to purchase up to 8m tonnes of grain annually and must buy at least 6m tonnes.

U.S. Agriculture Secretary John Block has said in the past that the U.S. would be prepared to offer the USSR 10m above the minimum allowed under the current agreement. The President's letter, which also promised that American farm exports would not again be singled out in a trade embargo, is regarded as giving the secretary's policy official administration backing.

Jamaica suffers further cut in bauxite output

By Canute James in Kingston

THE REYNOLDS company has cut bauxite mining in Jamaica by 10 per cent because of the state of the world aluminium market. Reynolds is the last of the five North American aluminium companies operating in the island to cut production because of a poor market.

The cut means the company will now be mining and shipping about 2m tonnes of ore per year to the U.S. This cut is likely to force the industry here to again revise production targets for this year. Before the Reynolds reduction, the Jamaica Bauxite Institute had forecast that bauxite mining this year would total between 11.75m and 11.95m tonnes this year, compared to 12.45m tonnes.

The Jamaican Government announced over the weekend that the Venezuelan Government had agreed to forego a proposed 20 per cent cut in alumina purchases from Jamaica of 100,000 tonnes for this year.

MARKET PROFILE: SUGAR

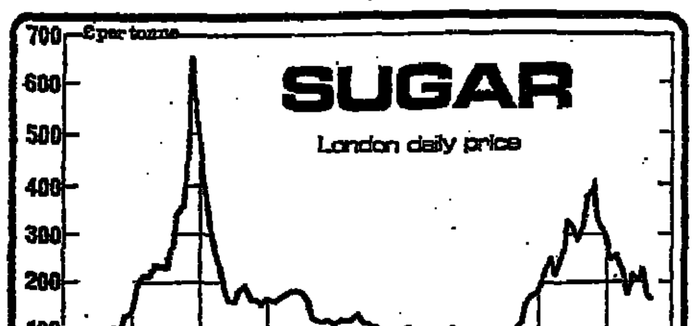
EEC crucial to price stability

BY RICHARD MOONEY

TODAY SEES the opening of preliminary talks about the future of the International Sugar Agreement (ISA), which expires at the end of next year. Fifteen months might seem more than adequate for this purpose, but the problems facing the pact are such that the schedule might prove uncomfortably tight.

Two basic options are available—the agreement could be completely renegotiated or it could be extended for up to two years. The second choice is obviously simpler but it may prove impossible to incorporate into an extended pact the changes considered vital for its successful operation. The first alternative, however, could lead to problems for the U.S., whose membership is considered crucial, in passing the legislation necessary for it to ratify a new pact in time.

The aim of the International Sugar Agreement is to stabilise prices by rationing supplies to the market. And, as a glance at the accompanying chart will confirm, no commodity is in greater need of effective price stabilisation.



A world shortage of sugar pushed the London daily raw sugar price (LDP) to an all-time peak of £650 a tonne in 1974. But increased production encouraged by this unprecedented price inevitably led to a downslide which took the LDP below £100 a tonne again in mid-1977.

Prices remained depressed till late in 1979 when prospects of another shortage encouraged a new upsurge. But hopes nursed by some producers that the 1974 peak might at least be approached were quickly dashed. After peaking at £410 last November a sustained slide trimmed the LDP to £153 a tonne earlier this month. There has been a modest technical recovery in the past week but barring some climatic disaster no-one is looking for a significant rise this year.

The present ISA is intended to defend a price range of 13-23 cents a lb, but during its first three years of operation the world price has spent precious little time within that range.

For one year it was above the ceiling and for most of the other two below the floor. The present level is 11.54 cents a lb and with a world surplus of 2m tonnes forecast for the 1981-82 season it is difficult to foresee the ISA floor level being regained in the near future, especially as export quotas have already been cut to the lowest level permissible under the agreement.

The most important reason for the pact's failure to control prices is the absence from the agreement of the EEC, the world's biggest sugar-producing group. With the Community expected to have a record crop of 13.5-14m tonnes this year and an export surplus of 5-6m tonnes over the next nine months the ISA's scope for influencing the market will remain severely limited.

The EEC's surplus production, which is encouraged by the high price guaranteed to Community producers, is disposed of by sales on the world market with subsidies to bring the price down to the ruling world level.

This system has caused bitter resentment in other producing areas, particularly Australia, and its legality under the GATT is to be challenged at a special meeting later this month.

Hopes are rising, however, that the Common Market may decide to join the pact after next year. At a meeting of Community Foreign Ministers in Brussels this week Britain and the Netherlands, supported by the EEC Commission, called for negotiations on joining the pact to begin. They argued that membership would strengthen the credibility of the Community's commitment to improving north-south relations.

But France, the biggest EEC sugar producer, has strong reservations about the pressure to reduce production which would inevitably come with ISA membership.

The sheer size of the projected EEC surplus and its implications for the world market may persuade existing members to offer a favourable quota deal to the Community in the hope of removing at least some of its surplus from the market. It remains to be seen whether they can offer a deal good enough to overcome France's misgivings.

The agreement's other big problem is a self-inflicted one, resulting as it does from sloppy drafting of a section of the pact. The offending clause links individual members' basic export tonnages to their average percentage share of total exports under the pact in the best two of the past three seasons. This has led to a steady increase in total export quotas irrespective of expected demand levels. Last year this factor led to an 11 per cent increase in the basic export quota. This fault will have to be corrected before 1983.

While it is generally accepted that the International Sugar Agreement cannot be regarded as a success so far, its defenders claim that things would have been even worse without it. International Sugar Organisation officials believe it has at least smoothed the peaks and troughs that a totally free market would have allowed.

If the EEC joins and the drafting of the pact is tightened up there is good reason to hope that the world sugar market could enter a period of relative calm from 1983 onwards as the ISA gains a firmer hold on the reins.

Bank offers new silver options

By Peter Montagnon, Euromarkets Correspondent

CREDIT Suisse First Boston, the City-based investment bank, is today launching a new market in silver bullion traded options through its subsidiary Continental Ore Europe.

This follows the successful development of a gold traded options market started in 1976 by another member of the group Valeurs White Weld. At its peak in 1979 turnover on that market was around 250,000 ounces a week.

Continental Ore will trade only in call options (options to buy silver) initially.

Each option will be for 5,000 ounces of silver at a fixed starting price for a fixed delivery date—the last business day of January, April, July or October.

The Continental Ore silver options differ from silver options available on the London Metal Exchange in so far as the delivery dates will not roll forward each day. This should allow easy matching of sell and buy orders. Quotations will also be in U.S. currency and not sterling.

Canadian nickel strike

BY JOHN EDWARDS, COMMODITIES EDITOR

INTERNATIONAL NICKEL workers at the company's Thompson, Manitoba, plant are to go on strike following a majority vote against accepting the company's offer on new labour contracts. The existing contracts expired last night and the company said it had no choice but to start an orderly shutdown of operations.

The vote by the workers was 1,156 to 501 in favour of a strike and followed a recommendation by union representatives to reject the company's offer. Inco said it was surprised and disappointed. It added that the unions appeared to favour a one-year pact rather than the substantial wage package over a three-year period.

Inco's Thompson plant has an annual production capacity of 120m lbs of nickel, although output was only 90m lbs last year.

It also produces small amounts of copper and precious metals. However the bulk of Inco's nickel production comes from its Sudbury, Ontario, complex which has an annual capacity of 340m lbs, although only producing 250m lgs last year. Company's stocks of nickel at the end of June were 157m lbs, so there appears to be little prospect of a shortage of supplies developing as a result of the Thompson shutdown.

On the London Metal Exchange yesterday cash nickel closed £82.5 lower at £3,125 a tonne in spite of opening higher on news of the proposed strike. The decline was attributed to a general easing in metal prices following the firmer tone in sterling against the dollar. Aluminium, copper, lead and zinc values all closed lower.

Copper is also threatened by a Canadian strike. Workers at Noranda's Horne smelter in Quebec voted 76 per cent in favour of authorising a strike but set no date for actually stopping workers. Labour contracts at the smelter, which has an annual production capacity of some 220,000 tonnes, expired on August 15, but negotiations on new contracts continued until last week when they were suspended.

Cash tin rose by £110 to £2,265 a tonne, although the three months quotation was unchanged at £8,285. Dealers said the only feature in the market was "borrowing" (buying cash and selling forward simultaneously) by influential traders, who it was felt were trying to bring London prices closer in line with the Penang

U.S. drops Australian lamb tax plan

BY PATRICIA NEWBY IN CANBERRA

THE U.S. will not impose the threatened 6.81 per cent countervailing duty on Australian lamb imports following virgorous representations to the U.S. authorities by the Australian government.

The U.S. National Wool Growers Association and the U.S. National Lamb Feeders Association have withdrawn their joint petition alleging that the Australian government subsidises production and export through government-owned abbattoirs and publicity from the Department of Trade.

The U.S. Department of Commerce has terminated the case against Australia which began in April this year. This means that the preliminary determination of July 28 this year, which fixed the countervailing duty at 6.81 per cent, ceases to have effect.

The duty could have ended Australia's A$20m trade in lamb with the U.S. and more seriously, threatened to provide a test case for the imposition of countervailing duties on other agricultural commodities, notably beef.

Mr Doug Anthony, the Australian deputy prime minister, minister for trade and leader of the rural-based National Country Party which rules in coalition with Mr Malcolm Fraser's Liberals, yesterday said he was "delighted" with the decision.

Malaysia to help pepper farmers

By Wong Sulong in Kuala Lumpur

THE Malaysian Pepper Board is to put into immediate effect a 4m ringgit subsidy scheme to help pepper farms hit by the current depressed prices.

The board's chairman, Mr Leonard Linggi Jugah, said it would buy pepper direct from farmers at prices higher than the prevailing prices. The board would process the pepper before exporting it to the terminal markets.

BRITISH COMMODITY MARKETS

BASE METALS

BASE-METAL PRICES were erratic on on the London Metal Exchange.

NICKEL

GRAINS

Grains opened mixed on wheat, slightly higher on barley. Wheat forwards drifted lower while spot remained relatively firm.

SILVER

COCOA

COFFEE

SOYABEAN MEAL

GAS OIL FUTURES

SUGAR

LONDON DAILY PRICE—Raw sugar

COTTON

POTATOES

RUBBER

WOOL FUTURES

MEAT/VEGETABLES

PRICE CHANGES

In tonnes unless otherwise stated.

AMERICAN MARKETS

NEW YORK, Sept 15.

PRECIOUS METALS were weaker on trade selling. Copper rallied from early weakness along with lower interest rates.

Live Hogs—Oct 51.85-51.90 (51.95), Dec 54.45-54.65 (54.42), Feb 54.40-54.30, April 51.50-51.35, June 53.20, July 53.42, Aug 51.85, Oct 50.45, Dec 51.95.

Monday's closing prices

EUROPEAN MARKETS

INDICES

FINANCIAL TIMES

MOODY'S

REUTERS

DOW JONES

GRIMSBY FISH—Supply good, demand good.

Market sensitive to prospects of dearer money but equities rally from lowest and Gilt-edged follow

Account Dealing Dates

Option *First Dealings	Declara-tions	Last Dealings	Account Day
Aug 28	Sept 10	Sept 11	Sept 21
Sept 14	Sept 24	Sept 25	Oct 5
Sept 28	Oct 8	Oct 9	Oct 19

* New-time dealings may take place from 9.30 am two business days earlier.

The prospect of dearer short-term money brought fresh weakness to the two main investment areas of London stock markets yesterday. Following the Bank of England's unexpected signal late on Monday for higher interest rates, tense markets awaited announcements of rises in clearing bank base rates. In the event, only U.S. banks declared interest rate changes and these were to lower levels: some broker loan levels fell a point and many prime lending rates were lowered to join those on 20 per cent.

Traders in Government securities were again particularly nervous and further selling swamped a small demand, lowering longer Gilts 1½ more before a tentative rally set in and held after the official 3.30 pm close. Sentiment then was influenced not only by the downturn in American interest rates but also by sterling's extended recovery. Short-dated stocks met with similar pressures and the tap, Treasury 11½ per cent 1985, was noticeably vulnerable at 89, down ⅞: other falls in the sector were restricted to ⅛. The FT Government Securities index dropped 0.82 further for a two-day loss of 1.73 to close at 62.52—its lowest since January 10 1977.

Leading shares also plunged further with the popular Electrical trio in the van. Business throughout the morning was almost entirely one-way and by noon the FT Industrial Ordinary share index—down 11.5 on Monday—had dropped 12.8 more and was apparently in free fall. Company trading statements made no impact in markets anxiously awaiting the clearers' base rate intentions. However, the absence of any news regarding higher rates triggered spasmodic bear-covering and a subsequent sharp recovery in Electricals took other leaders away from the lowest. A continuation of the rally after-hours left the index showing a much reduced fall of 7.6 at 534.3 for a two-day loss of more than 19 points. Secondary issues were marked down at the outset in reflection of the leaders' late weakness on Monday, and the FT-Actuaries All-share index fell to 315.07 for a two-day loss of 2.7 per cent.

Demand for Traded options improved sharply with business widely spread among those in issue. Total contracts completed amounted to 1,732—the highest so far this month. Calls were dominated by Grand Metropolitan, which recorded 361 with the January 180's and 200's accounting for 177 and 117 respectively. ICI attracted 157 and Racal 143. Demand for puts also picked up considerably and BP recorded 168 with the October 380's being dealt 100 times.

Major clearers steady

The major clearing banks passed a quiet session awaiting base rate announcements and, after giving modest ground initially, picked up to close unchanged. Discount houses registered sizeable falls following the increased cost of borrowing, Union falling 25 to 410p and Allen Harvey and Ross 15 to 310p. King and Shaxson shed 4 to 86p, Gerrard National 8 to 260p, and Seccombe Marshall 10 to 240p.

Insurances followed the general trend, but losses were pared in late dealings. Eagle Star finished a couple of pence cheaper at 300p, after 298p, in front of today's interim results, while Sun Alliance settled a net 15 down at 945p, after 940p. Royals shed 6 to 382p and Commercial Union 4 to 158p. Among Life issues, Legal and General, half-yearly results today, closed just a penny off at 246p, after 242p. Brokers had Willis Faber 5 off at 395p despite the increased interim profits and dividend.

Breweries remained out of favour although a late technical rally lifted the leaders above the day's worst.

After being subjected to sustained selling during the "House" session, leading Buildings steadied after hours and closed a shade above the worst. BPB Industries finished 15 down at 270p, after 268p, and Tarmac 10 off at 406p, after 404p. Blue Circle shed 12 to 496p and Redland 5 to 173p. Housebuilders came under pressure on the possibility of higher mortgage rates. Barratt Developments, results due next week, lost 7 to 248p, Costain 6 to 238p, and Fairview Estates 7 to 113p. Elsewhere, Travis and Arnold dropped 22 to 168p on the disappointing interim results and the chairman's gloomy statement, while John Finlan, still awaiting the outcome of talks with an unnamed party, relinquished 11 to 168p. Speculatively supported on Monday, Tunnel "B" shed 10 to 480p in the absence of bid developments.

After opening a couple of pence firmer at 276p, ICI slipped to 270p before rallying late to close unchanged on balance at 274p. Among other Chemicals, Horace Cory softened 1 to 15p on the reduced interim profits and dividend.

Gussies weaken

Fears that increased interest rates will adversely affect consumer spending prompted marked dullness among major retailers; a firmer tone was noted during the late business but falls still ranged to double figures. Gussies "A" closed 15 lower at 433p, after 430p, while Burton eased 5 to 127p, after 125p and W. H. Smith shed 7 to 167p. The more speculative issues encountered steady profit-taking and Polly Peck, 290p, and Cornell Dresses, 167p, dropped 22 and 16 respectively. Grant Bros. gave up 5 more to 170p and Elys (Wimbledon) lost 10 at 280p. Owen Owen fell 10 to 243p on nervous offerings in front of interim results due during this Account.

Leading Electricals recovered smartly after showing further marked weakness. GEC, down to 728p at one stage, rallied to finish unaltered at 745p, while Plessey ended only 4 cheaper at 340p, after 335p. Losses in secondary issues were widespread and sometimes substantial; Ferranti dipped 20 to 525p and Farnell 15 to 468p, while falls of 10 were common to MK Electric, 220p, United Scientific 488p and Pifco "A" 203p. Electronic Rentals gave up 8 to 105p and First Castle 9 to 108p.

Losses were fairly widespread throughout the Engineering sector, but leading issues rallied in the late afternoon and final quotations were usually limited to a penny or so. GKN, awaiting Thursday's interim results, ended a penny off at 176p, after 172p. Haden fell 7 to 233p among secondary issues, while falls of 5 were marked against F. Pratt, 80p, Davy Corporation, 172p, B. Elliott, 148p, and Adwest, 155p. Against the trend, Barton Group firmed 2½ to 28½p in response to the half-yearly figures, while recovery hopes left Expanded Metal 2 better at 53p.

Among Food Retailers, J. Sainsbury shed 10 to 455p and Associated Dairies 6 to 184p, while Tesco gave up 2½ to 61½p. Bernard Matthews, a thin market, dropped to 125p before closing a net 12 down at 135p following the poor interim results. M. F. North became an isolated firm spot in Hotels and Caterers, rising 4 to 28p following the resignation of the chairman and the decision to introduce a liquor licence at selected hotels.

Channel Tunnel down

Losses in the miscellaneous industrial leaders were fairly modest after an initial reaction, Glaxo closing only 2 off at 392p, after 388p. Falls of 3 were recorded in Boots, 226p, and Bowater, 233p. Beecham finished with a loss of 5 at 212p, after 209p. Elsewhere, adverse comment prompted a reaction of 50 to 175p in Channel Tunnel after recent strength on hopes that the Channel project may materialise. Still reflecting the first-half loss, James Wilkes eased 6 more to 68p, while Office and Electronic Machine weakened 60 to 340p in a difficult market following adverse mention. Sotheby's fell 17 to 410p and Granada A 13 to 229p, while losses of around 10 were marked against BET Deferred, 139p, and BTR, 336p. Hanson Trust, down 7 at 285p, met selling along with Thomas Tilling which gave up 6 to 163p. British Aerospace closed 4 cheaper at 222p following the interim results, while the passing of the dividend and the pre-tax loss left Grimshawe Holdings similarly lower at 25p. Hestair, a good market of late, fell 2 to 45p after the interim figures.

Motor Components closed with losses across the board. AE fell 2½ to 45½p, while Flight Refuelling gave up 10 to 355p. Dowty ended 4 cheaper at 245p, after 242p, while Lucas recovered from an early 220p to close only 2 down on balance at 223p. Distributors were featured by Lex Service which fell 10 to 113p. Harold Perry, first-half results due tomorrow, eased 3 to 92p.

Oils quietly dull

Oils followed the general trend in the course of a low volume of business. BP settled 6 cheaper at 392p, after 390p, and Shell 4 lower at 368p, after 366p. Outside of the leaders, NCC ended 3 firmer at 103p following the annual general meeting.

The sharp falls elsewhere in equities were reflected in falls to double figures in Investment Trusts, RIT, 358p, and Atlantic Assets, 260p, both shedding 10. Gresham House Estates eased 7 to 285p following the full-year loss. Among Financials, S. Pearson, which announced interim results on Monday, fell 8 to 214p. In contrast, Boustead added a couple of pence to 125p in response to the interim figures.

Textiles were largely unaffected by the general shake-out and falls were usually restricted to a couple of pence. Coats Patons, 72p, and Dawsons, 121p, gave up 3 apiece. Tern-Consulate, a long-time takeover favourite, continued to attract a useful two-way business and closed 4 better for a two-day gain of 7 at 56p. Dealings in Caird (Dundee), suspended at 13p a week ago, were resumed at 15p to match the cash offer from New Venture Carpets.

The South African Gold share market suffered its first reversal in seven trading days despite the continued strength of the bullion price—finally $8 up at $459 an ounce.

Shares were marked down at the outset and encountered persistent profit-taking until the late afternoon when the market steadied in the wake of American support. Losses at the close remained substantial, however, and the Gold Mines index retreated 11.0 to 418.0.

In the heavyweights Randfontein were particularly vulnerable and gave up £1½ to £29, while falls of a point were common to President Steyn, £30¼, and Western Holdings, £34¼. Among the medium and lower-priced issues, Welkom lost 32 to 794p and Blyvoor a like amount to 753p.

The renewed weakness of the UK equity market unsettled London Financials, as did the downturn in base-metal prices. Gold Fields moved between 525p and 530p before settling at 528p, unchanged on the day, despite the increased full-year profits and dividend. RTZ fell 9 more to 513p, after 509p, in front of today's interim figures.

Australians were mixed, with the strength of gold tending to be offset by lower base-metal prices. In the leaders, Peko-Wallsend rose 10 to 425p, Western Mining 4 to 334p, after 336p, and Pancontinental a like amount to 174p.

An otherwise subdued Tins sector saw Renong Tin re-listed at 388p and advance to close at 400p reflecting the S$15.70 (407p) a share bid from the Hong Kong-registered Sparkstream Investments.

FINANCIAL TIMES STOCK INDICES

	Sept. 15	Sept. 14	Sept. 11	Sept. 10	Sept. 9	Sept. 8	A year ago
Government Secs	62.52	63.34	64.25	64.03	63.65	63.88	70.47
Fixed Interest	64.72	66.78	65.88	65.73	65.64	65.72	71.71
Industrial Ord	534.3	541.9	553.4	546.6	545.4	551.8	498.5
Gold Mines	418.0	429.0	431.3	415.6	398.8	388.4	464.7
Ord. Div. Yield	5.64	5.52	5.47	5.51	5.51	5.49	7.37
Earnings, Yld. % (full)	9.77	9.66	9.47	9.78	9.93	9.83	17.35
P/E Ratio (net) (*)	13.05	13.28	13.59	12.78	12.86	[illegible]	7.02
Total bargains	17,569	17,741	17,221	16,802	15,478	16,556	21,197
Equity turnover £m.	—	153.07	146.61	137.17	99.96	139.85	94.90
Equity bargains	—	14,896	15,850	13,059	11,794	11,896	17,474

10 am 535.0. 11 am 531.5. Noon 529.1. 1 pm 529.5. 2 pm 529.0. 3 pm 532.0.

Latest index 01-246 8026.

Nil = 11.67.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial Ord. 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

HIGHS AND LOWS | S.E. ACTIVITY

	1981 High	1981 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	70.61 (25/3)	62.52 (15/9)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	72.01 (25/3)	64.72 (15/9)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	597.3 (30/4)	446.0 (14/1)	597.3 (30/4/81)	49.4 (26/6/40)
Gold Mines	429.0 (14/9)	262.6 (5/6)	558.9 (22/9/80)	43.5 (26/10/71)

	Sept. 14	Sept. 11
Daily Gilt Edged Bargains	147.9	126.7
Equities Bargains	96.5	98.8
Value	509.4	396.5
5-day Avrge. Gilt Edged Bargains	157.5	158.2
Equities Bargains	85.7	82.8
Value	372.1	352.3

NEW HIGHS AND LOWS FOR 1981

The following quotations in the Share Information Service yesterday attained new Highs and Lows for 1981.

NEW HIGHS (8)

CHEMICALS (1)
BASF AG
ENGINEERING (1)
Brasway
HOTELS (1)
Savoy A
INDUSTRIALS (1)
Whatman Reeve Ang.
MOTORS (2)
Abbey Panels
Adams and Gibbon
TEXTILES (1)
Caird (Dundee)
MINES (1)
Unisel

NEW LOWS (125)

BRITISH FUNDS (28)
INTL. BK. & O'SEAS GVT. STLG. ISS. (2)
CORPORATION LOANS (7)
LOANS (3)
FOREIGN BONDS (1)
CANADIANS (2)
BANKS (8)
BEERS (1)
BUILDINGS (5)
DRAPERY & STORES (5)
ELECTRICALS (3)
ENGINEERING (3)
HOTELS (2)
INDUSTRIALS (13)
LEISURE (2)
NEWSPAPERS (2)
PAPER (1)
PROPERTY (15)
TEXTILES (1)
TRUSTS (7)
OIL & GAS (5)
OVERSEAS TRADERS (1)
RUBBERS (2)
TEAS (1)
MINES (4)

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	—	91	7
Corpns., Dom. and Foreign Bonds	—	46	26
Industrials	68	705	539
Financial & Props.	11	345	146
Oils	10	81	32
Plantations	—	4	10
Mines	23	79	75
Others	6	126	69
Totals	122	[illegible]	895

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

Stock	Closing price pence	Day's change	Stock	Closing price pence	Day's change
BPB	270	−15	MEPC	218	−8
British Aerospace	222	−4	Plessey	340	−4
GEC	745	—	Racal Electric	455	−5
Gus A	433	−15	RTZ	513	−9
ICI	274	—	Tanks Consolidated	325	−10
Lucas Industries	223	−2	Travis and Arnold	168	−22

MONDAY'S ACTIVE STOCKS

Based on bargains recorded in SE Official List

Stock	No. of price changes	Monday's closing price pence	Day's change	Stock	No. of price changes	Monday's closing price pence	Day's change
Channel Tunnel	26	225	+57	Royal Ins.	12	388	−8
BICC "New"	18	37½pm	—	BAT Inds.	11	388	−2
GEC	16	745	−13	Bowater	11	236xd	−2
Lasmo	16	465xd	−15	GKN	11	177	−3
Plessey	14	344	−5	KCA Intl.	11	134	+4
ICI	13	274	−4	Racal Elect.	11	460	−5
BP	12	398xd	−4	Rank Org.	11	163xd	−4

OPTIONS

First Dealings	Last Dealings	Last Declarations	For Settlement
Sept 7	Sept 18	Dec 3	Dec 14
Sept 21	Oct 2	Dec 17	Dec 28
Oct 5	Oct 16	Dec 31	Jan 11

For rate indications see end of Share Information Service

Stocks favoured for the call included Dunlop, FNFC, Caffyns, Premier Oil, Fitzwilton, Chloride, North Kalgurli, KCA, ICL, Tozer Kemsley and Millbourn, Southern Pacific Petroleum, Tricentrol, Burmah, Acrow A, Geevor Tin, A. Monk, Lasmo, Barrow Hepburn, Hampton Areas, Clifford's Dairies A and Dundonia. Puts were taken out in GEC, ICI, GKN, Lucas, Racal, Blue Circle, Plessey, Britannia Arrow and Hongkong Land, while doubles were arranged in Dunlop, Cons. Gold Fields, Elsburg and Rothmans International.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tues., Sept. 15, 1981 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Mon. Sept. 14 Index No.	Fri. Sept. 11 Index No.	Thurs. Sept. 10 Index No.	Wed. Sept. 9 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (214)	353.68	−1.8	10.24	4.47	12.02	360.13	362.57	359.53	360.68	292.63
2	Building Materials (25)	311.95	−2.6	14.69	5.48	7.75	320.14	322.96	319.96	320.32	259.79
3	Contracting, Construction (28)	571.06	−2.1	15.60	5.88	6.91	583.19	593.22	581.46	579.56	452.46
4	Electricals (30)	1160.04	−0.8	7.78	2.44	16.04	1169.98	1181.60	1172.73	1179.87	889.42
5	Engineering Contractors (10)	498.44	−2.8	13.88	5.58	9.00	508.68	501.62	508.34	510.49	350.83
6	Mechanical Engineering (69)	202.07	−2.0	11.79	5.61	10.96	206.31	206.01	205.28	205.67	184.55
8	Metals and Metal Forming (13)	167.35	−1.7	9.61	7.31	13.79	[illegible]	[illegible]	[illegible]	[illegible]	170.48
9	Motors (21)	102.64	−3.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	82.98
10	Other Industrial Materials (18)	371.45	−3.1	8.97	6.07	13.59	[illegible]	[illegible]	[illegible]	[illegible]	0.00
21	CONSUMER GROUP (195)	273.83	−2.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	245.30
22	Brewers and Distillers (22)	288.93	−2.4	15.47	6.67	7.77	[illegible]	[illegible]	[illegible]	[illegible]	296.55
25	Food Manufacturing (21)	263.51	−2.7	14.97	6.36	8.06	[illegible]	[illegible]	[illegible]	[illegible]	222.83
26	Food Retailing (14)	545.94	−2.7	9.69	3.26	13.23	[illegible]	[illegible]	[illegible]	[illegible]	395.54
27	Health and Household Products (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	238.40
29	Leisure (22)	433.94	−2.1	9.18	5.87	13.54	[illegible]	[illegible]	[illegible]	[illegible]	348.38
32	Newspapers, Publishing (12)	490.99	−2.3	12.68	6.15	11.61	[illegible]	[illegible]	[illegible]	[illegible]	438.41
33	Packaging and Paper (13)	139.94	−3.5	24.24	7.54	4.62	[illegible]	[illegible]	[illegible]	[illegible]	128.78
34	Stores (46)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	242.01
35	Textiles (25)	156.62	−2.8	7.84	5.99	17.98	[illegible]	[illegible]	[illegible]	[illegible]	120.47
36	Tobaccos (3)	261.47	−1.5	19.43	9.55	5.83	[illegible]	[illegible]	[illegible]	[illegible]	234.90
39	Other Consumer (16)	276.13	−1.6	4.41	6.12	58.07	280.74	280.46	282.99	284.07	0.00
41	OTHER GROUPS (79)	225.95	−1.9	11.09	6.30	11.52	230.25	231.82	231.81	227.93	226.88
42	Chemicals (15)	288.32	−0.7	5.79	6.30	28.37	290.48	293.70	291.57	283.04	313.18
44	Office Equipment (5)	108.32	−4.4	15.28	7.89	7.92	113.35	114.57	112.88	112.87	103.57
45	Shipping and Transport (13)	499.77	−1.8	21.20	7.32	5.61	509.09	516.99	515.92	516.99	508.81
46	Miscellaneous (46)	298.31	−2.5	12.78	5.62	9.46	306.08	305.59	306.41	305.27	281.94
49	INDUSTRIAL GROUP (488)	295.30	−2.0	11.42	5.36	10.85	301.42	304.15	302.35	302.62	260.46
51	Oils (12)	689.67	−1.7	21.03	8.35	5.38	701.35	708.28	708.73	709.36	805.24
59	500 SHARE INDEX	327.29	−2.0	13.01	5.96	9.29	333.88	336.95	335.32	335.61	303.69
61	FINANCIAL GROUP (119)	263.21	−1.6	—	5.72	—	267.43	269.93	268.72	268.88	251.83
62	Banks (6)	272.77	−0.1	32.66	6.88	3.61	272.97	277.10	275.57	276.22	251.33
63	Discount Houses (10)	251.33	−4.0	—	9.82	—	261.72	262.93	262.51	264.92	296.89
64	Hire Purchase (3)	229.15	−4.2	13.96	8.07	10.36	239.08	240.56	241.66	244.63	238.36
65	Insurance (Life) (10)	281.83	−1.1	—	5.52	—	285.05	285.94	288.83	288.27	256.26
66	Insurance (Composite) (9)	172.81	−1.6	—	7.64	—	175.56	178.56	178.16	177.19	178.69
67	Insurance Brokers (8)	431.58	−2.1	10.31	5.46	13.15	440.79	443.91	436.40	430.48	342.84
68	Merchant Banks (13)	160.07	−2.3	—	5.03	—	163.78	164.38	164.99	166.20	146.72
69	Property (50)	463.42	−2.7	4.16	3.06	32.56	476.39	477.18	477.57	480.57	469.73
70	Miscellaneous (10)	176.30	−1.8	18.17	6.33	6.70	179.62	182.10	182.87	182.11	153.91
71	Investment Trusts (109)	310.72	−1.7	—	5.14	—	316.06	315.03	313.75	313.96	277.43
81	Mining Finance (3)	261.34	−1.1	13.47	5.23	8.74	264.28	267.91	268.48	266.16	257.02
91	Overseas Traders (19)	426.24	−2.1	10.93	6.98	11.66	435.39	434.44	434.25	435.82	446.95
99	ALL-SHARE INDEX (750)	315.07	−1.9	—	5.79	—	321.04	323.71	322.28	322.46	294.65

FIXED INTEREST

	PRICE INDICES	Tues. Sept. 15	Day's change %	Mon. Sept. 14	xd adj. today	xd adj. 1981 to date
	British Government					
1	5 years	105.99	−0.46	106.48	—	7.82
2	5-15 years	100.97	−1.28	102.23	—	8.72
3	Over 15 years	101.16	−1.38	102.57	—	10.34
4	Irredeemables	110.11	−1.83	112.16	—	9.05
5	All Stocks	102.38	−1.03	103.45	—	8.88
6	Debentures & Loans	79.27	−1.96	80.47	—	7.67
7	Preference	62.05	−0.29	61.88	—	5.39

	AVERAGE GROSS REDEMPTION YIELDS		Tues. Sept. 15	Mon. Sept. 14	Year ago (approx.)
	British Government				
1	Low	5 years	13.02	12.77	11.67
2	Coupons	15 years	13.71	13.56	11.67
3		25 years	13.98	13.82	11.67
4	Medium	5 years	15.34	15.10	13.05
5	Coupons	15 years	15.81	15.55	13.24
6		25 years	15.34	15.11	13.00
7	High	5 years	15.38	15.05	13.19
8	Coupons	15 years	15.97	15.72	13.52
9		25 years	15.56	15.32	13.16
10	Irredeemables†		13.55	13.29	11.19
11	Debs & Loans	5 years	16.37	16.02	14.07
12		15 years	16.52	16.02	13.90
13		25 years	16.55	16.02	13.74
14	Preference†		15.95	15.87	14.48

† Flat yield. Highs and lows record, base dates and values and constituent changes are published in Saturday issues. A list of the constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 26½p.

RECENT ISSUES

EQUITIES

Issue price p	Amount paid up	Latest Renunc. date	1981 High	1981 Low	Stock	Closing price p	+ or −	Div. p. or amount	Times covered	Gross yield	P.E. ratio
153	F.P.	21/8	172	145	✠Aerospace Eng.	145	−6	bd7.5	1.4	7.4	15.4
§52	F.P.	24/9	99	75	✠Fleet St. Letter. 5p.	95	−4	u2.5	1.9	3.8	20.0
—	F.P.	14/8	8	6	✠Hartons 5p.	8		—	—	—	—
25	F.P.	18/9	28	26½	JapanAssetsTrust 10p	27		—	—	—	—
62	F.P.	2/10	56½	55	Jeavans Eng.	55	−1	b3.75	1.7	9.7	7.3
§100	F.P.	30/10	102	101	MarineAdv.SailTst. £1	101	−1	—	—	—	—
§130	F.P.	1/10	136	132	✠Markheath 54.6% Pfd.	134	−2	13.65	1.6	14.6	—
	F.P.	20/8	125	105	✠Newcourt Oil	105		—		—	—
—	F.P.	—	180	170	Nippon Electric	170	−10	Q52%	2.9	0.9	57.5
—	F.P.	18/9	14	10	Stewart Ent. Warrs.	12		—	—	—	—
§2	F.P.	28/8	120	114	St'ckhold'rsF.E.Inv $1	114		—	—	—	—
66	F.P.	7/9	86	75	✠Thorpac	86		b1.82	3.7	3.0	11.6
100	F.P.	15/7	104	88	Utd.Comp.&Tech. 50p	99		—	—	—	—
§15	F.P.	25/9	17½	13½	✠WillaireSystems 10p	13½		—	—	—	—
	F.P.	11/9	15	10	Do. Rest. Div. 10p	10xr		—	—	—	—

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1981 High	1981 Low	Stock	Closing price £	+ or −
	F.P.	—	127	120	Amal Dist. Products 10 Cv. Ln. '97	122	
100	£40	20/10	38⅞	38¼	Birmingham Drop-Lock '86/93	38¾	−⅛
100	F.P.	7/8	112¼	97½	Chloride 7½% Conv. Prf.	96½	−1½
	F.P.	24/9	100½	99⅛	East Surrey Water 10% Prf. 1986	101	
100	F.P.	28/8	115	104	Hanson Trust 9½% Cv. Uns. Ln. 2000-6	110	−2
98½	£25	[illegible]	[illegible]	[illegible]	Inco 15¼% Uns. Ln. 2006	[illegible]	[illegible]
100	F.P.	[illegible]	[illegible]	[illegible]	Jones (Edward) 10% Cnv. Uns. Ln. '95-98	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Mid Kent Water 9½% Red. Prf. 1987	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Mount Charlotte 9½% Cnv. Ln. 1995-2000	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Nat'wide Bldg. Society 14½% 26/4/82	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Prop. Hldg. & Inv. Tst. 8½% Cnv. Ln.	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Sterling Credit 8.5% Cnv. Red. Prf.	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	W Ribbons 10% Cum. Red. Prf. '95-96	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	York Waterworks 10% Red. Prf. '86	[illegible]	[illegible]

"RIGHTS" OFFERS

Issue price p	Amount paid up	Latest Renunc. date	1981 High	1981 Low	Stock	Closing price p	+ or −
60	[illegible]	[illegible]	[illegible]	[illegible]	Amal. Dist. Products	16pm	[illegible]
10	[illegible]	[illegible]	[illegible]	[illegible]	Astra Ind.	3½pm	[illegible]
225	[illegible]	[illegible]	[illegible]	[illegible]	BICC	37½pm	[illegible]
275	[illegible]	[illegible]	[illegible]	[illegible]	BP	[illegible]	[illegible]
42	[illegible]	[illegible]	[illegible]	[illegible]	Buckley's Brewery	[illegible]	[illegible]
11	[illegible]	[illegible]	[illegible]	[illegible]	Gartons	[illegible]	[illegible]
68	[illegible]	[illegible]	[illegible]	[illegible]	H.A.T. Group	[illegible]	[illegible]
12½	[illegible]	[illegible]	[illegible]	[illegible]	Jantar	[illegible]	[illegible]
131	[illegible]	[illegible]	[illegible]	[illegible]	Ladbroke	[illegible]	[illegible]
110	[illegible]	[illegible]	[illegible]	[illegible]	Laird Grp.	[illegible]	[illegible]
35	[illegible]	[illegible]	[illegible]	[illegible]	Lane (Percy)	[illegible]	[illegible]
107	[illegible]	[illegible]	[illegible]	[illegible]	Morgan Crucible	[illegible]	[illegible]
77	[illegible]	[illegible]	[illegible]	[illegible]	Moss Engineering	[illegible]	[illegible]
160	[illegible]	[illegible]	[illegible]	[illegible]	New Court Nat. Res. Units	[illegible]	[illegible]
A51	[illegible]	[illegible]	[illegible]	[illegible]	Pancontinental	[illegible]	[illegible]
85	[illegible]	[illegible]	[illegible]	[illegible]	Property Sec. Inv. Tst.	[illegible]	[illegible]
13pm	[illegible]	[illegible]	[illegible]	[illegible]	Trusthouse Forte	[illegible]	[illegible]
860p	[illegible]	[illegible]	[illegible]	[illegible]	Utd. Scientific	[illegible]	[illegible]
15	[illegible]	[illegible]	[illegible]	[illegible]	Willaire Systems	[illegible]	[illegible]

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. u Forecast dividend; cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1981. Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price. p Pence unless otherwise indicated. ¶ Issued by tender. || Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or takeover. |||| Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Dealings under special Rule. ✠ Unlisted Securities Market. ‡‡ London Listing. † Effective issue price after scrip. † Comprising 8 Ordinary and 3 Warrants.

UNIT TRUST SERVICE

OFFSHORE & OVERSEAS—contd.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)
72-80, Gatehouse Rd., Aylesbury 0296 5941

Abbey Am. Gth. Tst.	[illegible]	[illegible]	-1.9	2.11
Abbey Capital	[illegible]	[illegible]	-1.7	[illegible]
Abbey General	[illegible]	63.7	-2.5	4.52
Abbey Gilt & F.I. Tst.	[illegible]	100.5	-1.3	13.05
Abbey Income	[illegible]	[illegible]	[illegible]	[illegible]
Abbey W.W. Bd. Tst.	[illegible]	[illegible]	[illegible]	[illegible]
Abbey Inv. Tt. Fd.	[illegible]	[illegible]	-0.6	[illegible]
Equitas Prog. Tst.	85.9	[illegible]	-3.1	4.40

Allen Harvey & Ross Unit Tst. Mngrs.
45, Cornhill, London EC3V 3PB. 01-623 6314
AHR Gilt Trust	82.0	86.3	-0.7	13.36

Allied Hambro Ltd. (a) (g)
Hambro Hse., Hutton, Brentwood, Essex. 01-588 2851 or Brentwood (0277) 211459

Balanced Funds

Allied 1st	101.3	97.7	-3.7	[illegible]
Brit. Inds. Fund	[illegible]	[illegible]	-2.7	[illegible]
Growth & Income	[illegible]	[illegible]	-1.9	[illegible]
Elect. & Ind. Dev.	[illegible]	51.4	-1.7	4.67
Allied Capital	[illegible]	109.7	-4.0	4.01
Hambro Fund	[illegible]	147.8	-4.6	5.43
Hambro Acc. Fund	[illegible]	209.4	-6.9	3.92

Income Funds

High Yield Fd.	[illegible]	71.1	-1.5	8.44
High Income	[illegible]	[illegible]	-2.3	7.24
Equity Income Fd.	[illegible]	51.1	-1.4	7.22
Govt. Secs.	[illegible]	23.9	-0.4	12.97

International Funds

[illegible]

Craigmount Unit Tst. Mgrs. Ltd.
Bucklersbury, London EC4N 8BD. 01-248 4984

High Income	[illegible]	38.1	-0.9	11.96
North American	[illegible]	70.0	-2.0	2.41
Canadian Exempt*	74.7	79.0	-2.9	[illegible]
Canadian Trust	[illegible]	70.9	-2.9	[illegible]
Mid Mount High Inc.*	[illegible]	[illegible]	-0.4	10.27
Recovery	[illegible]	[illegible]	-1.1	7.06
Gilt Trust	[illegible]	48.4	-0.8	14.34

*Weekly dealing day Wednesday.

Crescent Unit Tst. Mngrs. Ltd. (a)(g)
4 Melville Cres., Edinburgh 3 031-226 4931

Cres. Amer. Fd.	[illegible]	47.2	-1.0	0.52
Cres. Internat'l	[illegible]	[illegible]	-1.9	[illegible]
Cres. High. Dist.	[illegible]	[illegible]	-1.4	[illegible]
Cres. Reserves	[illegible]	[illegible]	-2.1	[illegible]
Cres. Tokyo	[illegible]	44.0	-0.4	0.28

Darlington Unit Trust Mngt. Ltd.
Bridge Chambers, Barnstaple, Devon 0271 76324

Total Perf. Unit Tst.	23.3	24.8	....	6.97

Discretionary Unit Fund Managers
36/38 New Broad St, EC2M 1NU. 01-638 4485

Disc. Inc. Sept. 11	257.8	275.0	....	4.75

E. F. Winchester Fund Mngt. Ltd.
44, Bloomsbury Square, WC1A 2RA 01-623 8893

Great Winchester	[illegible]	[illegible]	....	[illegible]
Gt. Winchester O'seas	[illegible]	[illegible]	....	[illegible]

For Emson and Dudley see Robert Fraser Tst. Mgmnt.

Equity & Law Un. Tr. M. (a) (b) (c)
Amersham Rd., High Wycombe. 0494 33377

Equity & Law	94.6	99.5	-3.8	4.44

Fidelity International Management Ltd.
62-63 Queen St, London EC4 1AD 01-248 4092

[illegible]

INSURANCE PROPERTY BONDS

[illegible]

OFFSHORE & OVERSEAS FUNDS

[illegible]

Continued on previous page

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1981 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
99 33/32	99 1/8	Treas. Variable '81‡‡	99 3/32	−1/32	13.75	14.23
100 1/16	99 1/4	Exch. 12 3/4pc 1981‡‡	99 7/16	−1/32	12.80	14.42
98 1/16	95 1/16	Treas. 8 1/2pc '80-82‡‡	98 1/8	.....	8.66	14.12
96 1/8	91 1/4	Treasury 3pc '82‡‡	96 1/8	−1/4	3.12	12.73
107	99 3/4	Treasury 14pc '82‡‡	100 1/8xd	−1/8	13.98	13.85
99 1/16	98 1/16	Treas. Variable '82‡‡	99 5/8	−1/16	13.76	14.09
96 7/16	93 1/16	Treasury 8 1/4pc '82	95 1/2	−1/4	8.63	14.27
96 7/16	93 1/16	Exch. 9 1/4pc 1982	95 1/4xd	−1/8	9.71	14.45
95 1/4	92 5/8	Exch. 8 3/4pc 1983	94 1/2	−1/8	9.25	13.39
92 1/4	84 7/8	Exch. 3pc 1983	91 1/4	−1/8	3.28	9.66
99 7/8	95 7/8	Treasury 12pc 1983‡‡	96 1/4xd	−1/2	12.40	14.52
99 1/2	96 1/4	Treas. Variable '83 ‡‡	99 7/16	−1/16	13.79	14.02
94 1/8	91 1/4	Treasury 9 1/4pc '83	92 3/8	−1/2	10.01	14.06
101 15/16	97 5/8	Exch. 13 1/2pc '83	97 5/8	−1/2	13.82	14.71
94 5/8	91 1/4	Exch. 10pc 1983	91 1/2	−1/2	10.92	14.53
88	84 1/2	Funding 5 1/2pc '82-84‡‡	86 1/4	−1/2	6.34	12.16
96 1/4	92 1/4	Exch. 11 1/4pc 1984	92 3/4	−1/2	12.12	14.86
103 1/16	97 3/4	Exchequer 14pc 1984	97 7/8	−1/2	14.30	14.94
82 5/8	78 1/2	Exch. 3pc 1984	80 1/2	−1/2	3.72	11.42
98 3/8	92 1/4	Treasury 12pc 1984	93 1/4xd	−1/2	12.88	14.92
107 3/4	100 1/2	Treasury 15pc 1985	100 1/2	−1/2	14.92	14.77
98 7/8	91 5/8	Exch. 12pc Cnv. '85	91 3/4xd	−1/2	13.07	15.13
76	73 1/4	Treasury 3pc 1985	74 1/8	−1/2	4.04	11.88
96 9/16	89	Treasury 11 1/2pc 1985●	89	−5/8	12.92	15.36
98 5/8	91 1/4	Exch. 12 1/4pc 1985	91 1/4	−1/2	13.42	15.10
97 1/8	89 1/2	Exch. 11 3/4pc '86	89 1/2	−1/2	13.12	15.03
70 3/16	68	Treasury 3pc 1986	68 5/8	−1/2	4.35	11.86

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH AND AFRICAN LOANS

1981 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
97 1/2	92 1/4	Aust. 5 1/2pc '81-82	95 1/2	−1/4	5.74	13.52
87 1/2	83 1/2	Do. 6pc 1981-83	86 1/4	−1/4	7.09	14.24
67 1/4	59	N.Z. 7 1/4pc 1988-92	60	−1/4	12.37	15.12
81 1/4	74	Do. 7 1/2pc '83-86	75 1/4	−1/4	10.14	15.36
141	115	S. Rhod. 2 1/2pc Non-Ass.	139	.....	—	—
61	43	Do. 3 1/2pc 80-85 Asstd.	60	.....	6.00	18.80
43	26	Do. 4 1/2pc 87-92 Asstd.	39	.....	11.66	17.60
395	333	Zimbabwe Ann (£100pa)	340xd	.....	—	22.34

LOANS

Public Board and Ind.

[illegible]

Financial

[illegible]

Building Societies

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

CANADIANS

1981 High	Low	Stock	Price	+ or −	Div. Gross	C'vr	Y'ld Gr's
[illegible]							
962p	621p	Hawker Sid. Can.‖	621p	−69	96c	—	6.8
20 1/2	12 7/8	Hollinger $5	13 3/4	+1/2	s$2.20	—	7.0
16 3/4	812p	Hudson's Bay ‖	12	−1/2	$1.20	—	4.4
21 3/4	795p	Hud. B.Oil G. $2 1/2	20 1/4	−5/8	32c	—	0.7
16 7/8	11 1/2	Imperial Oil‖	14 1/2	−1/2	$1.40	—	4.3
11 1/4	765p	Inco‖	899p	−56	SUS72c	—	4.5
750p	450p	Int. Nat. Gas $1	640p	.....	$1.10	—	7.6
210p	131p	Massey Ferg.‖	133p	−6	—	—	—
120p	65p	Place Gas $1	65p	−10	—	—	—
17 1/2	10 3/4	Rio Algom	16 3/8	−1/8	$1.50	—	4.0
13	10 7/8	Royal Bk. Can. $1	12 5/8	−1/8	$1.60	—	6.3
32 1/4	23 1/4	Seagram Co. C$1	28 5/8	−1/4	US$1.40	—	2.7
14 1/4	11 1/4	Tor. Dom. Bk. $1	12 7/8	−1/4	$1.80	—	6.2
11	750p	Trans Can. Pipe	960p	−40	$1.16	—	5.3

BANKS AND HIRE PURCHASE

[illegible]

Hire Purchase, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

CHEMICALS, PLASTICS

[illegible]

CHEMICALS, PLASTICS—Cont.

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ENGINEERING MACHINE TOOLS

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

FOOD, GROCERIES—Cont.

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

INSURANCE—Continued

LEISURE

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPERS, PRINTING ADVERTISING

PROPERTY

INSURANCE

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc.

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

RUBBERS AND SISALS

TEAS

India and Bangladesh

Sri Lanka

Africa

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Finance

Diamond and Platinum

Central African

MINES—Continued

Australian

Tins

Copper

Miscellaneous

NOTES

b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1981-82. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1982. K Figures based on prospectus or other official estimates for 1981-82. M Dividend and yield based on prospectus or other official estimates for 1980. N Dividend and yield based on prospectus or other official estimates for 1981. P Figures based on prospectus or other official estimates for 1982. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	46	......
Bertrams	10	......
Bdg'wtr. Est. 50p	455	−10
Craig & Rose £1	£13	......
Finlay Pkg. 5p	22	......
Graig Ship. £1	£21	......
Higsons Brew	67	......
Holt (Jos) 25p	540	......
I.O.M. Stm. £1	167	......
Pearce (C. H.)	360	......
Peel Hldgs.	181	......
Sheff. Refrshmt	92	......
Sindall (Wm.)	194	......

IRISH

Conv. 9% '80/82	£92½	......
Nat. 9¾% 84/89	£69¾	......
Fin. 13% 97/02	£73¾	−⅛
Alliance Gas	63	......
Arnott	225	......
Carroll (P.J.)	70	......
Concrete Prods.	90	......
Helton (Hldgs.)	28	......
Irish Ropes	44	......
Jacob	66	......
T.M.G.	16	......
Unidare	76	+1

OPTIONS

3-month Call Rates

Industrials					
A. Brew	6½	House of Fraser	14	Utd. Drapery	6½
BOC Intl.	11	I.C.I.	20	Vickers	15
B.S.R.	7	"Imps"	7	Woolworths	6
Babcock	11	I.C.L.	6		
Barclays Bank	35	Ladbroke	30	**Property**	
Beecham	18	Legal & Gen.	28	Brit. Land	8
Blue Circle	35	Lex Service	13	Cap. Counties	11
Boots	20	Lloyds Bank	28	Land Secs.	37
Bowaters	24	"Lofs"	4½	MEPC	28
Brit. Aerospace	37	London Brick	7	Peachey	15
B.A.T.	25	Lucas Inds.	18	Samuel Props.	13
Brown (J.)	9	"Mams"	20	Town & City	2¼
Burton Ord.	14	Mrks. & Spncr	11		
Cadburys	7½	Midland Bank	26	**Oils**	
Courtaulds	7	N.E.I.	8	Brit. Petroleum	33
Debenhams	10	Nat. West. Bank	32	Burmah Oil	16
Distillers	17	P & O Dfd.	12	Charterhall	8
Dunlop	5½	Plessey	23	KCA	22
Eagle Star	25	Racal Elect.	34	Premier	7½
F.N.F.C.	3	R.H.M.	5	Shell	32
Gen. Accident	30	Rank Org. Ord.	18	Tricentrol	30
Gen. Electric	69	Reed Intnl.	25	Ultramar	44
Glaxo	28	Sears	5		
Grand Met.	18	Tesco	5½	**Mines**	
G.U.S. "A"	44	Thorn EMI	30	Charter Cons.	21
Guardian	30	Trust Houses	15	Cons. Gold	45
G.K.N.	15	Tube Invest.	13	Lonrho	9
Hawker Sidd	25	Turner & Newall.	18	Rio T. Zinc	45
		Unilever	50		

A selection of Options traded is given on the London Stock Exchange Report page

"Recent Issues" and "Rights" Page 36

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £600 per annum for each security

FINANCIAL TIMES
Wednesday September 16 1981

Reshuffled Cabinet gets to grips with public spending

BY RICHARD EVANS, LOBBY EDITOR

MRS THATCHER'S reconstructed Cabinet met yesterday to prepare the ground for public spending negotiations later this year and for the next round of public sector pay talks.

The speed with which key decisions were taken at the two-hour meeting was seen as evidence of the swing to the right achieved by Mrs Thatcher.

The appointment of Mr Jock Bruce-Gardyne as Minister of State at the Treasury, one of four posts filled yesterday to complete the reshuffle, will further strengthen the monetarist team under Sir Geoffrey Howe.

Mr William Waldegrave, a former political aide to Mr Edward Heath, enters the Government as Parliamentary Under-Secretary for Education.

He is one of the most promising left-wing Tory backbenchers, and his promotion was welcomed by party moderates as slight compensation for the damage done to the "wets" in the reshuffle.

However, the emphasis yesterday was on the hawkish tone of the Cabinet, with Labour Party and trade union leaders concentrating their attack on Mr Norman Tebbit, the new Employment Secretary.

Mr Michael Foot, Labour leader, in a scathing comment before leaving London for discussions on nuclear disarmament with Russian leaders, called the reshuffle "a complete disaster."

He said Winston Churchill would turn in his grave at the appointment of Mr Tebbit at a time when the country more than ever needed the Government to talk intelligently to the trade unions.

Mr Peter Shore, Labour's shadow Chancellor, argued that the appointment of Mr Bruce Gardyne confirmed that the present "foolish" policies were to continue.

In his view it was now quite possible that the Government would need to toughen its deflationary policies because of the drain on public expenditure created by higher unemployment.

Mr John Grant, an Opposition employment spokesman, said Mr Tebbit's appointment was the clearest possible signal that Mrs Thatcher was out for confrontation with the trade unions.

Lord Thorneycroft, who resigned as Conservative Party chairman, visited Tory headquarters yesterday to greet his successor, Mr Cecil Parkinson. "I think he will be admirable. I wish him well," Lord Thorneycroft said.

Liberals set to back alliance

BY ELINOR GOODMAN, LOBBY CORRESPONDENT

MR DAVID STEEL, the Liberal leader, was yesterday poised to get overwhelming support from the Liberal assembly today for an alliance with the Social Democrats.

Last night Liberal delegates gave Mrs Shirley Williams a standing ovation when she joined Mr Roy Jenkins, her colleague in the SDP leadership, Mr Steel, and his much-revered predecessor Mr Jo Grimond in a last-minute appeal for support for the alliance.

Sharing a common platform for the first time, the four held out the prospects of real power for the alliance and warned against the dangers of failing to grasp the opportunity it offered.

Though the vote on the alliance will not take place until this morning, the outcome is virtually a foregone conclusion.

Last night's meeting marked the consummation of the relationship between the two parties which has been developing since the SDP was formed six months ago.

Yestrday there were further warnings from some Liberals—including Mr. Cyril Smith, MP for Rochdale—of the dangers of the party being swallowed up by the SDP.

These feelings are likely to be expressed in today's debate but judging by the reception for the SDP leaders last night the great majority of delegates want the alliance to proceed.

While there was some antagonism towards the SDP leaders in the audience last night the only more downbeat note for the alliance was struck by Mr. Tony Greaves, a Liberal councillor who said that he saw no sign for the great radical revival but rather a movement borne of despair.

The meeting was the largest fringe meeting ever held at a Liberal assembly and must have been a notable occasion for Mrs Williams and Mr Jenkins who, during their time in the Labour Party, so often faced hostile audiences. It was also a masterful performance by Mr Steel, who has staked much on the alliance.

Mr Steel did, however, face problems yesterday. A row broke out between him and Mr John Pardoe, the former Liberal economics spokesman and one of Mr Steel's competitors for the leadership.

Mr Pardoe accused Mr Steel of betraying the Liberal Party. He claimed Mr Steel had turned down an overture from Mr Jenkins that Mr Jenkins join the Liberal Party two years ago and told him to start a new party instead. Last night Mr Steel described this allegation as preposterous.

Conference reports, Page 12

Solidarity 'should be outlawed'

By Christopher Bobinski in Warsaw

THE Polish Government should stop negotiating with the Solidarity union and outlaw the movement, according to a leading hardline member of the country's Communist Party politburo.

In an interview with Soviet bloc correspondents Mr Albin Siwak said that Solidarity's present policies were sufficient justification for the removal of the union's legal status.

"The combined forces of the internal security service and the army are enough to carry through such a de-legalisation," he said.

Mr Siwak was elected to the politburo at the party congress in July. He is one of the main spokesmen for conservative, pro-Soviet sections of the party.

"Solidarity has changed its statute and is constantly breaking the law," Mr Siwak said. "I think the party leadership should embark on a determined struggle against Solidarity. We mustn't follow the road of dialogue, as the demands Solidarity is making are unacceptable."

The authorities have arrested a delegate to the Solidarity national congress, which is due to resume at the end of the month. Mr Kornel Makowiecki, editor of the Solidarity regional union bulletin in Wroclaw, south-west Poland, was charged with harming Poland's alliances.

Two weeks ago the bulletin published a leaflet in Russian and Polish, signed by the NTS, a Russian emigré group based in the West, addressed to Soviet soldiers in Poland.

Yesterday Solidarity at the Wroclaw Polytechnic where Mr Makowiecki is a lecturer, declared a strike alert in his defence. The issue is a delicate one because the two Soviet divisions in Poland are stationed in Legnica, about 40 miles west of Wroclaw.

The Polish Government yesterday offered double pay to coal-miners willing to work on their free Saturdays.

BP plans £60m plastics plants

BY SUE CAMERON, CHEMICALS CORRESPONDENT

BP CHEMICALS is set to spend at least £60m on the construction of new plastics materials plants during the next few years—and the greater part of the investment is scheduled for the UK.

However, the company's planned capital spending programme is expected to be accompanied by the closure of outdated plants. Some 600 jobs in Britain could be axed as a result.

Two UK plants are believed to be prime candidates for closure. One is BP Chemicals' 40,000 tonnes-a-year polystyrene plant at Stroud, Glouces which employs 200 people. A decision to shut this plant could well be imminent.

The company is also thought to be considering the running down of its 90,000 tonnes-a-year low density polyethylene—LDPE—plastics plant at Grangemouth, Scotland. The plant now provides jobs for about 500 people.

However, Grangemouth is evidently a favoured site for the construction of a 12,000 tonnes a year linear low density polyethylene—LLDPE—plant which BP Chemicals is thought to be keen to build. The estimated cost of a linear low plant is put at about £35m. Such a plant could provide alternative employment for some of those who now work at Grangemouth.

Linear low is a newly-developed plastics material that has a number of advantages over LDPE. It is thought to have excellent market growth potential.

Mr Robert Horton, managing director of BP Chemicals, said yesterday that the company was considering the possibility of both building an LLDPE plant and of replacing some of its existing polystyrene and expanded polystyrene capacity.

However, Mr Horton, speaking at the Interplas exhibition in Birmingham, stressed that further capital spending would have to be part of a "scrap and build" programme. This was the onl way to reduce Europe's "chronic overcapacity" in plastics—much of it outdated and inefficient.

BP Chemicals has 180,000 tonnes a year of LDPE capacity — 140,000 tonnes of it comparatively newly built — at Antwerp in Belgium. This is in addition to the Grangemouth LDPE plant. It has 115,000 tonnes of modern polystyrene capacity at Wingles in France as well as its Stroud polystyrene plant. Also at Wingles is a 30,000 tonnes a year expanded polystyrene plant.

SYNTHETIC fuel could be providing Western nations with as much energy by 1990 as the North Sea, according to the International Energy Agency. By the turn of the century, production of synthetic oil and gas could reach the equivalent of between 5m and 11.6m barrels a day of oil, almost equal to the combined current output of Saudi Arabia, Indonesia and Kuwait. Page 8

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Volkswagen

Friedrich Thomée, VW's acting chief executive, said yesterday the group was unlikely to do better than break even in the third quarter.

Group after-tax profits collapsed to DM 15m in the first half of this year, compared with DM 216m in the first six months of 1980, in spite of a 12.7 per cent rise in turnover to DM 19.1bn (£4.4bn).

Charles Smith writes from Tokyo: The joint production deal, which follows nine months of discussions between VW and Nissan, leaves unchanged VW's current arrangement for selling its cars in Japan through the Yanase group.

VW heads the list of imported on Japan although its sales there are extremely low compared with those in other major markets.

Davy may win £327m contract

BY SUE CAMERON, CHEMICALS CORRESPONDENT

THE UK-BASED Davy McKee group is set to win the contract for building a $600m (£327m) combined chemical and petrol additive plant in Alberta, Canada.

The Alberta Natural Gas group submitted proposals for the scheme to the provincial government whose approval must be obtained.

The plant would have a capacity of 680,000 tonnes a year of methanol and 475,000 tonnes of a petrol additive called MTBE—methyl tertiary butyl ether.

Methanol is a chemical used in the making of a wide range of products including industrial solvents and anti-freeze. MTBE is a lead-free additive for petrol which boosts octane ratings and ensures smooth running for high performance cars.

The plant could use natural methane and butane gases as raw materials. The favoured site is Scotford and the target date for starting production 1984.

Designs for the plant are thought to be based on process technology developed and patented by the Davy group. The combination of methanol and MTBE units in a single plant makes production of both chemicals more economic.

Davy McKee has apparently been closely associated with the initial design engineering and planning of the project.

Earlier this year Davy said its MTBE process technology could enable the UK to switch to lead-free petrol within two years—at a saving of at least £400m. The claim followed the UK Government's decision to lower permitted lead levels in petrol because of dangers from lead pollution.

Davy said the construction of two MTBE plants in the UK with a total capacity of 1m tonnes a year would make it unnecessary for Britain to buy extra crude oil and modify oil refineries—both of which will be required to meet lower lead limits. The UK-based group said MTBE could act as a complete substitute for the lead antiknock compounds currently put into petrol.

At the time, however the Department of Energy cast doubts on Davy's claims.

Continued from Page 1

Expulsion

the expulsion of the Soviet military advisers and as a result of Egypt's increasing dependence on and alliance with the U.S. The Egyptian Government has strongly endorsed President Reagan's policy of confrontation with the Soviet Union and has offered military facilities for the U.S. rapid deployment force.

Public service pay Continued from Page One

separately from other public spending decisions. It is not clear whether the Government intends to set external financing limits on the assumption that pay will rise by 4 per cent, leaving the industries to recoup any additional increases through price increases or cuts in manpower or investment.

None of the long-term promises on pay made by the Government to particular groups of public servants, including the armed forces, police and firemen, will be rescinded as a result of the pay factors. Increases above 4 per cent could be reconciled with the pay factor by adjusting spending between programmes and by increasing efficiency and reducing manpower.

Mr David Basnett, chairman of the TUC's economic committee, said the pay factor announcement made clear the purpose of the reshuffle, and Mr Geoffrey Drain, chairman of the TUC's public services committee, said the unions would do their best to make the 4 per cent figure unworkable.

Most union leaders thought the announcement of a clear figure for pay provision in forthcoming cash limits—and in particular its early timing—made co-ordinated public sector action on pay this winter much more likely.

The TUC's public services committee may take the first steps towards this at its meeting early next month.

EEC court threat to France and Ireland

BY JOHN WYLES IN BRUSSELS

THE GOVERNMENTS of France and Ireland have broken European Community law by giving official support to "Buy French" and "Buy Irish" campaigns, the EEC Commission alleges.

Both countries are to be taken before the European Court of Justice in a move which highlights the Commission's determination to enforce EEC rules on free trade at a time when the recession is spawning hidden protectionism.

Other EEC Governments are expected to take note. The British, for example, will probably adopt a more cautious approach to "Buy British" campaigns by the nationalised industries and the Confederation of British Industry.

EEC rules forbid official government encouragement for such schemes.

The commission alleges that official encouragement by the Governments of France and Ireland for buying home-produced goods had an effect comparable with that of import restrictions and thus breached a 1970 directive on free trade.

The case against France arises from a complaint by the West German Government in 1978 and is backed by documentary evidence, including ministerial letters and circulars.

One circular cited by the Commission was issued by the Economics and Finance Minister in May 1977 and titled Public Procurement and Foreign Competition.

It said that public procurement should contribute to "the success of current efforts to fight inflation, improve the foreign trade balance and safeguard employment."

Another circular indicated that the French Government was aware that it might be sailing close to the legal wind and explicitly counselled compliance with EEC undertakings. However, its author, the Director of Metal Industries, urged the Director of Sea Ports and Waterways to remind port managements of the problems of French industry and of the need for their buying policies to reflect everyone's desire to promote French industry.

A third document, which offers a reliable clue to the origin of the German complaint, appears to over-ride a hospital board's decision to buy equipment from Siemens and to recommend the choice of a subsidiary of Thomson-Brandt, the French group.

The case against France is largely responsible for the case against Ireland, because the Commission has to be seen to be even-handed.

Its target is a three-year programme lanuched in 1978 to promote Irish goods, funded with public money, which involved the invention of symbols to distinguish Irish products and the creation of an Irish goods council.

Weather

UK TODAY

CLOUDY in West with outbreaks of rain. Central and East, sunny periods.

London, S.E., E. England.
Any fog soon dispersing, sunny periods becoming cloudier later. Max. 21C (70F).

S.W., N.W. England, Wales
Cloudy, outbreaks of rain. Max. 18C (64F).

N.E. England, Borders
Sunny intervals becoming cloudier with some rain. Max. 19C (66F).

E., N.E. Scotland, Orkneys.
Sunny periods at first, rain later. Max. 16C (61F).

Outlook
Unsettled with showers

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	25	77	London	F	22	72
Algiers	S	28	82	L. Ang.†	F	18	64
Amsdm.	R	14	57	Luxmbg.	R	12	54
Athens	S	27	81	Luxor		—	—
Bahrain	S	37	99	Madrid	S	29	84
Barclna.	S	26	79	Majorca	F	28	82
Beirut	S	29	84	Malaga	S	26	79
Belfast	R	15	59	Malta	S	28	82
Belgrd.	C	17	63	M'chstr	R	17	63
Berlin	F	17	63	Melbne.	C	16	61
Biarritz	S	22	72	Mx. C.†		—	—
Bmghm.	C	19	66	Miami†	T	26	79
Blackpl.	C	16	61	Milan	C	21	70
Bordx.	S	24	75	Montrl.†	F	12	54
Boulgn.		—	—	Moscow	F	11	52
Bristol	C	19	66	Munich	F	15	59
Brussels	R	15	59	Nairobi	C	25	77
Budpst	F	17	63	Naples	F	25	77
Cairo		—	—	Nwcstl.	C	18	64
Cardiff	C	18	64	N. York†	C	23	73
Cas'b'ca	S	26	79	Nice	S	25	77
Cape T.	C	13	55	Nicosia	S	27	81
Chicg.†	F	12	54	Oporto	S	24	75
Cologne	C	17	63	Oslo	C	15	59
Cpnhgn.	C	15	59	Paris	C	19	66
Corfu	F	25	77	Perth	C	21	70
Denver†	F	11	52	Prague	C	14	57
Dublin	C	16	61	Rykjvk.	R	12	54
Dbrvnk.	S	21	70	Rhodes	S	25	77
Ednbgh.	C	17	63	Rio J'o†		—	—
Faro	F	27	81	Rome	S	27	81
Florence	F	26	79	Salzbrg.	F	15	59
Frankft.	C	17	63	S'ciscot	C	13	55
Funchal	F	24	75	Singapr.		—	—
Geneva	F	17	63	Stckhm.	S	13	55
Gibrltr.	S	25	77	Strasbg.	C	14	57
Gl'sg'w	C	17	63	Sydney	S	28	82
G'rnsey	F	18	64	Tangier	S	31	88
Helsinki	C	10	50	Tel Aviv		—	—
H. Kong		—	—	Tenerife	C	23	73
Innsbrk.	F	15	59	Tokyo		—	—
Invrnss.	C	17	63	T'r'nto†	F	10	50
I.o.Man	C	16	61	Tunis	S	30	86
Istanbul	S	22	72	Valencia	S	28	82
Jersey	C	20	68	Venice		—	—
Jo'burg	S	25	77	Vienna	C	15	59
L. Plms.	C	24	75	Warsaw		—	—
Lisbon	S	27	81	Zurich	C	14	57
Locarno	F	20	68				

C—Cloudy. F—Fair. R—Rain. S—Sunny. T—Thunder.
† Noon GMT temperatures.

THE LEX COLUMN

A credibility gap 12 points wide

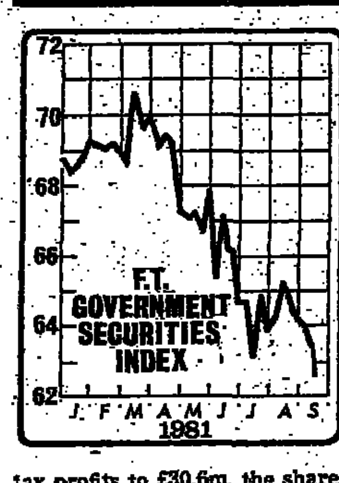
Yesterday long-dated gilt-edged yields moved above 16 per cent, and despite a late rally this return was still available on a few stocks at the close. A few miles further west, the Treasury was blithely announcing a 4 per cent target for growth in public sector wage costs in the next financial year. The Government's credibility gap can rarely be calculated so precisely.

There is little chance that the gilt-edged market will get the traditional signal, in the form of a slightly cheap issue of high coupon long-dated stock, that the authorities consider yields to be high enough. Expensive funding would hardly square with the Treasury's 4 per cent. On the other hand, another index-linked stock must be a possibility, although a further issue restricted to the pension funds would go down like a lead balloon.

In the foreign exchange markets the Bank of England's move has been an unqualified success, on a one-day view at least. Sterling has firmed further against the other European currencies, closing in London at DM 4.29, some 2¼ per cent above Monday morning's low point. Better still, U.S. banks were falling over each other yesterday to bring their broker loan rates down. This may be only a temporary adjustment, but all the same the possibility that sterling and the gilt-edged market might prove simultaneously attractive to foreign buyers is no longer ridiculously remote.

Only the clearing banks seem not to have noticed that interest rates have gone up. Perhaps they feel that after holding base rates at an uncompetitive level for two months, they need be in no great hurry to put them up now, and of course none of the Big Four is exactly keen to be the first to move to 14 per cent. The result of this is that base rates for today, at least, will remain at 12 per cent, and if interbank overnight rates are high there will be a certain amount of round-tripping. Since it also happens to be the monthly make-up day for banking September, any arbitrage that does take place will thicken the monetary fog.

Index fell 7.6 to 534.3



British Aerospace

The share price of British Aerospace was standing two-thirds above the February placing price of 150p by the end of last month, but the tide has turned over the past fortnight and after yesterday's interim figures, which showed a 44 per cent increase in pre-tax profits to £30.6m, the shares fell 4p further to 222p.

The figures themselves were well in line with forecasts and, given the company's ability to tailor its launch costs, reveal little about the real prospects. BAe should exceed its full year forecast of £65m by a comfortable 10 per cent, and the market's recent nerves probably owe more to concern about the fragility of the future orders book.

The company's order backlog has risen only slightly over the past six months and the recent debate over spending cuts in the UK and the U.S. has underlined BAe's exposure to the politics of defence contracting. With the world's airline industry deep in crisis, civil aircraft are now a buyer's market and BAe must be under pressure to accept less favourable payment terms on its new 146 model.

The company has liquid assets of around £200m, offset by a small amount of currency-hedging dollar debt, so the balance sheet is currently under no strain and cash flow should be positive this year. But the cost of taking a 30 per cent stake in the proposed Airbus 320 project would be around £600m—more than the net worth in the last balance sheet.

BAe will only go ahead with the project if it receives Government help on launch costs and debt servicing, and the Government's own 50 per cent stake is a reassuring cushion for investors. But BAe is still in a risky business and the market is beginning to attach more weight to the dangers than to the scarcity of the shares. The prospective yield is 5 per cent.

Gold Fields

Consolidated Gold Fields' profits for the year to June have jumped by £50.1m to £192m—thanks in large measure to some big one-off gains. The latest profit includes £23m on the sale of the North Broken Hill investment and a gain of £11m on the realisation of dollar forward contracts entered into at the time of last winter's £181m rights issue. That issue has inflated interest receipts by about £12m, but has also limited the rise in earnings per share to about 12 per cent on average capital.

Gold dividends and the share in Gold Fields of South Africa together account for 37 per cent of profits before interest, and the gold price this year has been well below the average of $476 in 1980-81. But there are compensations—in the U.S., for instnace, where the drill rig manufacturing interests are now making a measurable contribution to profits, and growing fast.

There is obvious uncertainty about the likely level of dealing profits. But the group does seem to have pulled off a coup with its rights issue money, all of which went into U.S. dollars at $2.41. The total gain on this transaction may now be over £50m, along with the benefit of perhaps 5 points of extra interest. Meanwhile, the Federal Trade Commission is still scrutinising Golds Fields' proposals for a substantial investment in Newmount Mining.

The shares have been jumping around with the gold price lately. At 528p, the yield of 6¾ per cent is covered 1.9 times by current cost earnings, and a business which can return 17 per cent on current cost capital employed ought to be capable of above average dividend growth over the long term.

Volkswagen

After a second quarter group loss of DM 28m, Volkswagen no longer looks certain to report a profit for the full year. Brazil is probably operating at no more than 40 per cent of capacity and the Triumph-Adler business could produce losses of around DM 100m. So, with a DM 13bn three-year investment programme now underway, the balance sheet is starting to look less comfortable and the position has not been helped by last year's decision to move from long- into short-term debt. The group must now have abandoned the ambitious diversification plans it considered three years ago when net cash of DM 3.8bn was supporting long term debt of DM 2bn. The likelihood now is that VW will need new equity within two years.

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